



ATTACHMENT 11

**REGULATION OF THE PRESIDENT OF REPUBLIC OF
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ON
MASTER PLAN FOR REHABILITATION AND
RECONSTRUCTION
FOR THE REGIONS AND PEOPLE OF THE
PROVINCE OF NANGGROE ACEH DARUSSALAM AND
NIAS ISLANDS OF THE PROVINCE OF NORTH SUMATRA

DETAILED BOOK ON
THE APPLICATION OF
GOOD GOVERNANCE AND SUPERVISION**

REPUBLIC OF INDONESIA

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I INTRODUCTION

To ensure the target achievement of the Master Plan for the Rehabilitation And Reconstruction for the Regions and People Of the Province Of Nanggroe Aceh Darussalam and Nias Islands Of The Province Of North Sumatra as well as to prevent corruption and other deviations, the principles of good governance must be applied in the implementation of the rehabilitation and reconstruction program. Therefore, the necessary application strategies should include:

1. Preventive actions against corruption and abuse of authority include 3 major activities:
 - a. The application of transparent and accountable management control system in implementing the Rehabilitation and Reconstruction for the Regions and People Of the Province Of Nanggroe Aceh Darussalam and Nias Islands Of The Province Of North Sumatra in each stage of its development;
 - b. Establishment of an Integrity Pact involving the relevant parties.
 - c. Monitor and evaluate the implementation of the rehabilitation and reconstruction program (meeting the principles of auditable and accountable).
2. Repressive Action on the Power Abuse and Other Deviations which include 3 main activities:
 - a. Supervision/audit on the implementation of rehabilitation and reconstruction program in Aceh and Nias-North Sumatra, whether related to the financial aspect, implementation of activities and its results (output, use of output and its impact).
 - b. Execute follow up on supervision/audit results
 - c. Monitor the implementation of supervision/audit result follow up.

The above strategic actions are carried out by applying the principles of good governance following the 4 (four) main principles of transparency, participation, accountability and law enforcement. The application of these four main principles must run synchronic with other principles of good governance, i.e. commitment (honesty, responsiveness and legality), fairness, consensus oriented, responsive, effectiveness and efficiency. All these principles and strategies will be enforced within the rehabilitation and reconstruction of the regions. All the above principles and strategies will be applied in the rehabilitation and reconstruction of the people of Nanggroe Aceh Darussalam and Nias, North Sumatra province and also be considered for use as basic framework for general governance ethics within the respective regions.

In supervising the implementation of the Rehabilitation and Reconstruction for the Regions and People Of the Province Of Nanggroe Aceh Darussalam and Nias Islands Of The Province Of North Sumatra, this book will only discuss supervision by Government Internal Supervisory Apparatus (APIP) including the Internal Supervisory Unit or Internal Audit Unit attached to the Implementing Agency for Rehabilitation And Reconstruction and advocates supervision by the community and stakeholders. Internal supervision/inspections by the BPK (Supreme Audit Agency), KPK (Anti Corruption Committee), DPR, provincial/district/municipal DPRD and the *Dewan Pengawas* (Oversight Committee) on the implementation of the rehabilitation and reconstruction of the people of Nanggroe Aceh Darussalam and Nias, North Sumatra province is carried out according to prevailing regulations. Therefore, such provisions will not be discussed in this guidebook; nevertheless, efforts to coordinate and develop cooperation should always be endeavored.

II APPLICATION OF GOOD GOVERNANCE PRINCIPLES

All activities related to the implementation of rehabilitation and reconstruction program in Aceh and Nias-North Sumatra whether directly implemented by the Implementing Agency or by other department/institutions coordinated by the Implementing Agency must apply the principles of good governance since the planning, implementation, monitoring and evaluation stages including its supervision. Therefore, a management system that promotes transparency and public participation, accountability, rule of law and other principles in the implementation of the rehabilitation and reconstruction program in Aceh and Nias-North Sumatra should be established. The four main principles of good governance in particular for the implementation of the rehabilitation and reconstruction program in Aceh and Nias-North Sumatra shall be further elaborated.

II.1 Implementation of the Accountability Principle

Accountability is the obligation to take responsibility for the management and control of available resources and the implementation of policies, including the success and failure in achieving the targets and objectives as stipulated within the Rehabilitation and Reconstruction program for the Regions and People Of the Province Of Nanggroe Aceh Darussalam and Nias Islands Of The Province Of North Sumatra through periodic accountability reports.

II.1.1 Application of the Supporting Elements of Accountability

Efforts to apply the principles of accountability in the implementation of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands of the Province of North Sumatra should be supported by a reliable management control system starting from the planning activities to implementation and reporting. All programs/activities must refer to and be based on the targets and objectives of the Rehabilitation and Reconstruction Program for the Regions and People Of the Province Of Nanggroe Aceh Darussalam and Nias Islands Of The Province Of North Sumatra as well as to existing rules and regulation.

1. Determination of Targets and Objectives

With reference to the mission and vision for the development of Nanggroe Aceh Darussalam and Nias Islands, North Sumatra, implementers of the Rehabilitation and Reconstruction program for the Regions and People Of the Province Of Nanggroe Aceh Darussalam and Nias Islands Of The Province Of North Sumatra must establish the target and objectives of the program/activities under the responsibility of each implementing unit. The targets and objectives will be short term and medium term programs formulated in measurable quantity and quality format to measure work progress.

To improve effectiveness, the Implementing Agency should develop clear vision and mission statements as reference for the formulation of the target and objectives of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands of the Province of North Sumatra.

2. Organization Structure

To promote the realization of an efficient and effective management system to assist in achieving the designated targets and objectives, the implementing units for the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands of the Province of North Sumatra must observe the following principles:

- Availability of clear job descriptions
- Appropriate delegation of tasks, authority and responsibilities to avoid overlap
- Clear accountability reports from each implementing unit with regard to task implementation, achievements, constraints and follow up plans.

3. Formulation of Policies

The formulation of policies to achieve the objectives of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands of the Province of North Sumatra should at least meet the following criteria:

- Provides opportunities for public participation and consultations;
- Measurable, transparent and acceptable to the public;
- Made in writing and communicated to the public;
- As reference for achieving program objectives and targets;
- Consistent with the organization's objectives and way of resolving problems challenging the organization;
- Conducts periodic evaluations.

4. Plans for the Rehabilitation and Reconstruction of the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands, North Sumatra

Program plans for the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra should be made in detail, measurable, and in accordance with the needs and conditions at field. Therefore, the process for the development of such plans should be transparent, participative involving the public especially the disaster affected communities. Such processes can be conducted through constructive dialogues, field surveys or through other reliable mediums.

A good plan can be measured by the following indicators:

- Is an elaboration of the targets and objectives of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands of the Province of North Sumatra;
- Involves all relevant stakeholders during the planning process.
- Considers the local community's socio culture (Aceh and Nias), economic other technical aspects.
- Comprehensive and accessible to the implementers and the community
- Its success can be measured by a set of predetermined indicators.

5. Setting Work Procedures

The implementation of predetermined programs/activities and its supporting/managerial activities require the formulation of accurate work procedures. These work procedures should be easy to implement, transparent, and include supervisory aspects and control (built in control).

Indicators of good work procedures include:

- Has clear objectives and benefits
- Describes the policies clearly
- Supports the Implementing Agency objectives
- Supported by sufficient policies
- Acknowledges the relevant rules and regulations
- Supported by an adequate number of qualified staff
- In writing, comprehensive, and known by all parties
- Periodically reviewed.

6. Human Resources

To ensure the recruitment of competent and professional staff, the recruitment process must be based on justifiable criterion.

1. Possesses integrity and ethics that will be formally realized by signing an Integrity Pact which will at least state the following:
 - Will not practice corruption or abuse the power entrusted to them;
 - Will report to the authorities on any instance of corruption or misuse of power;
 - Will carry out their duties in an honest, transparent, and professional manner through the optimum use of their capabilities and resources to provide excellent work starting from the preparatory/planning stage, implementation and completion of work/activities ties;
 - Prepared to accept administrative sanctions, fines, and legal prosecution in line with prevailing rules and regulations if proof of violations to the Integrity Pact and power abuse are found.
2. Possesses the technical expertise and managerial skills to implement all tasks assigned to them, i.e. credible, capable and competent which is further attested by certificates of expertise/education, curriculum vitae, and reference from their respective organizations.
3. Systems for recruitment, placement and training of human resources are implemented based on predetermined and justifiable qualifications. Human resources requirement for the Implementing

Agency will be derived from the civil service (civil, TNI, POLRI) or competent non civil service candidates recruited through the existing procedures.

4. Sufficient remuneration. To ensure the availability of professional, responsible and high integrity staff, recruited personnel must be provided with sufficient remuneration.

7. Implementation of Activities

The Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra involves the following activities:

1. Procurement of Goods/Services

The purchases of goods/services by suppliers or self managed are governed by the Presidential Decree No. 80/2003 on Guidelines for Government Procurement of Goods/Services. However, if for certain conditions and reasons the application of the Presidential Decree No.80/2003 is rendered impossible, the Implementing Agency may recommend the government to provide legal dispensations.

Principles for the procurement of goods/services:

- Efficient
- Effective
- Competitive (open and viable)
- Transparent
- Fair/ non discriminative
- Accountable

Persons involved in the procurement of goods/services:

i). User and Members of the Procurement Committee

Users of goods/services must meet the following criteria:

- Possesses moral integrity;
- Highly disciplined
- Possesses the responsibility, technical and managerial know-how to implement all duties assigned to them;
- Possess the ability to make decisions and act upon them, exemplary leader in conduct and attitude and has never been involved in KKN (corruption, collusion, and nepotism).

Members of the Procurement Committee must meet the following criteria:

- Possess moral integrity, discipline and commitment in implementing all tasks;
- Understand all elements of the task in hand;
- Understand the specific type of work that becomes the responsibility of the incumbent procurement committee/officer
- Understands the contents of the procurement document and methods of procurement procedures.
- Has no family relationship with the officer appointing the incumbent to the committee membership.

ii). The appointed supplier of goods/services must meet the following criteria:

- Fulfill the rules and regulations for conducting business as supplier of goods/services;
- Possess the skills, experience, technical and managerial knowledge to provide goods/services;
- Are not under scrutiny of law, bankrupt, or suspended, and/or the director acting for and on behalf of the company is not indicted with criminal penalties;
- Is legally capable to sign contracts;
- Has fulfilled the most recent tax obligation (SPT PPh and Article 29 SSP PPh);
- Possess the manpower, capital, equipment and other facilities required for the supply of goods/services;
- Is not black listed;
- Possesses a fixed and clear address that can be reached by mail;

Prior to conducting the procurement of goods/services procedures, all parties involved must sign an Integrity Pact or statement letter signed by the User of goods/services, the Procurement Committee, and the Supplier, which binds them to prevent and prohibit any acts of corruption or abuse of power during the implementation of the procurement of goods/services procedures.

2. Financial Management

Financial management includes income, savings, disbursements/payments, recording and reporting. All income/revenues, savings and disbursements must be meticulously recorded in a correct, orderly and organized manner in keeping with the Government Standards of Accountancy. All proof of payments must be supported by verifiable documents/proof. The Treasurer may only make payments on

the instruction or approval of their direct supervisors. To support this, a district financial system (SIMDA) for each district should already be established and accommodate Law No.17/2003 on Government Finance.

3. Management of Assistance Material

Goods/assistance material obtained from the procurement of goods/services or grants and other sources for distribution to beneficiaries must be efficiently managed through receiving mechanisms, warehouse procedures, procedures for extraction, recording and reporting. Any diminishment of goods by handover to other parties, or due to damages or past their expiry dates must be supported by verifiable proof and justifications.

To test the validity of such recordings and reports on assistance materials, a physical inspection must be carried out periodically. Such physical inspections must verify the goods/services' existence and its conditions.

4. Inventory Management

Inventory goods are obtained from the procurement of goods/services, grants or other sources and can come in the form of fixed assets or non fixed assets.

Inventory goods must be managed efficiently by following the correct practices, namely:

- Proper receipt of goods to prevent accepting goods that are not compatible with the contract, whether in quantity, brand, specifications and quality.
- Proper warehousing to prevent damages, loss or theft.
- Proper extraction to prevent internal theft, and extractions that are larger than permitted.
- Proper and timely recording to prevent discrepancies in the amount of listed supplies compared to actual supplies.
- Proper reporting to show the actual amount of inventory that can be used as basis for future planning/procurement.

Any reduction in the amount of supplies by handover to other parties, or due to damages or overdue expiry dates must be supported by verifiable proof and justifications. To test the validity of such recordings and reports on assistance materials, a physical inspection must be carried out periodically. Such physical inspections must verify its existence and its

conditions as well as proof of ownership. Inventory goods that are damaged beyond repair or the cost for its repair is too expensive should be forwarded for write-off.

Before the end of the program implementation, the government should establish procedures and mechanisms for the delegation of authorities as well as the deployment of assets and resources owned by the Implementing Agency.

8. System of Recording

Records on financial conditions, progress of activities and management of inventory/supplies/assistance must reflect the actual conditions and record all data or information that are relevant. A successful record should indicate the following:

- Designed according to the organization's needs and conditions
- It's procedures and manuals are correctly and meticulously compiled
- The recording system is supported with clear and adequate policies
- Uses sufficient amounts of document sources, forms, tables, statistical records and other books
- Complete and informative
- Adheres to set systems and work procedures
- Implemented accurately and in a timely manner
- Simple, consistent, sequential/ organized and integrated
- Separate from the possession and warehousing functions
- Periodically reviewed.

9. Internal Audit Unit

The internal audit unit or the supervising unit attached to the rehabilitation and reconstruction agency has an independent position. The existence of the Internal Audit Unit however, does not diminish each officer's duties within the Implementing Agency to conduct supervision.

The Internal Audit Unit conducts the following supervisory duties:

- Assess the Implementing Agency's activity plan
- Monitor the implementation of the rehabilitation & reconstruction of the Aceh and Nias-North Sumatra regions.
- Evaluate the periodic reports and accountability reports of the implementing agencies.
- Facilitate and coordinate with APIP
- Provide recommendations for improvement.

10. Integrity of Implementers

All managers and staff of the rehabilitation and reconstruction institution (Implementing Agency, Supervisory Board, Advisory Board) must declare their personal assets to the KPK (Anti Corruption Committee). The procedures for reporting such personal assets are determined by the KPK. In addition, the managers and staff of the rehabilitation and reconstruction institution must sign an integrity pact or declaration to denounce practices of corruption, collusion and nepotism. This means that the managers and staff including their families are prohibited from abusing their positions, duties and authority to gain personal advantage for their selves, families or group. For officers and auditors within the Internal Supervisory Unit attached to the rehabilitation and reconstruction program in particular, in addition to conducting their duties according to accounting principles, they must also be committed to:

- Conducting duties in an honest, transparent, and professional manner, using their optimum capacities and resources to provide excellent work starting from the audit planning, implementation and reporting of audit results as well as monitor follow up actions of audit results;
- Willing to accept moral sanctions, administrative sanctions, fines and criminal prosecution according to the prevailing laws, if proven to have violated the integrity pact.

Indicators of a successful Internal Audit Unit are:

- All activities of the audit/evaluation are clearly coordinated and defined;
- The scope of audit/evaluation is prioritized based on those most supporting the Implementing Agency's work program;
- Standard Operations Procedures and Manuals are available for the audit/evaluation activity;
- In conducting its duties, the audit/evaluation task does not impede the operations of the rehabilitation and reconstruction of the NAD and Nias regions and peoples;
- The audit/evaluation is directed towards aspects that are under management scrutiny or high risk issues;
- The audit/evaluation exercise is approved by the Head of the Implementing Agency;
- The audit/evaluation exercise meets professional standards of competence, reliability and objectivity;
- Emphasis on correcting weaknesses, not finding faults;

- Conducted in an efficient and effective manner (timely and cost efficient)
- Audit findings are of high value to improve the performance of the implementing unit being audited
- IAU may recommend the management to award certain staff or work units with good performance
- The recommendations should be followed up (received, implemented and successful) in accordance with the follow up agreement report.

II.1.2 Formulating the Results of the Rehabilitation and Reconstruction Implementation Report (Accountability)

The Implementing Agency prepares and submits an accountability report on the implementation of the rehabilitation and reconstruction of the region and peoples of Nanggroe Aceh Darussalam and Nias, North Sumatra.

1. Mechanism

The Implementing Agency must prepare a Semester Report, Annual Report and Final Report and submit to the President with copies to the Governor of NAD and or Governor of North Sumatra, the Supervisory Board, and the Advisory Board, Ministers and other relevant departments. The report should be organized according to a hierarchic process starting from the program implementing/responsible unit, head of unit, to the head of the Implementing Agency. However, for internal purposes, a Quarterly Report must also be prepared to provide information on the progress of implementation in the management of activities as well as the management of finance and budgeting.

Semester Report: the Semester Report provides a progress report and actual use of funds, constraints in management as well as other information during the reporting period. This report is an input towards monitoring and evaluation in addition to providing information on the progress of implementation and achievement of target/objectives during the reported period. Monitoring and evaluation is conducted by the program/activity responsible person or leader of the implementing unit and by the Internal Supervisory Unit attached to the Implementing Agency.

Mechanism for the formulation and submission of Semester Reports:

- Each program/activity leader or implementing unit must submit a semester report which will be forwarded to the highest unit leader (Deputy) of the Implementing Agency. The Semester Report must reach

the respective Deputies at the latest within 5 (five) work days after the end of the reported semester.

- Each Deputy shall submit a Deputy Semester Report to the Head of the Implementing Agency based on reports from the respective program leaders or implementing unit as well as other information. The report should be submitted at the latest within 10 (ten) work days after the end of the reported semester.
- The Head of the Implementing Agency submits a Semester Report based on the Semester Report from each Deputy and other information. The Implementing Agency's Semester Report shall be forwarded to the President with copies to the Governor of NAD and/or Governor of North Sumatra, the Supervisory Board, and the Advisory Board, Ministers and other relevant departments at the latest within 15 (fifteen) work days after the end of the reported semester.

Annual Report: The Annual Report is an accountability report on the implementation of the program/activities and use of budget within the reported year. It contains information on target achievement, constraints and its solution and other pertinent information within the reported period. The Annual Report is prepared from the Semester Report and other information. Prior to publication, the Annual Report must be audited by the Internal Supervisory Unit. As a form of public accountability, the Supervisory Board may request for an external auditor to audit the said Annual Report.

Mechanism for the formulation and submission of the Annual Report:

- Each program/activity leader or implementing unit must submit an Annual Report which will be forwarded to the highest unit leader (Deputy) of the Implementing Agency. The Annual Report must reach the respective Deputies at the latest within 5 (five) work days after the end of the reported semester.
- Each Deputy shall submit a Deputy Annual Report to the Head of the Implementing Agency based on reports from the respective program leaders or implementing unit as well as other information. The report should be submitted at the latest within 10 (ten) work days after the end of the reported semester.
- The Head of the Implementing Agency submits an Annual Report based on the Annual Report from each Deputy and other information. The Implementing Agency's Annual Report shall be forwarded to the President with copies to the Governor of NAD and or Governor of North Sumatra, the Supervisory Board, and the Advisory Board, Ministers and other relevant departments at the latest within 20 (twenty) work days after the end of the reported semester.

Final Report: The Final Report is a final accountability report by the Implementing Agency on the overall tasks carried out during the implementation of the rehabilitation and reconstruction program/activities. The report contains the final achievement of work (target/objective), use of funds, constraints and solutions, and other important information to be reported as a final accountability and completion of work.

Mechanism for the formulation and submission of the Final Report:

- Each program/activity leader or implementing unit submits a Final Report which will be forwarded to the highest unit leader (Deputy) of the Implementing Agency.
- Each Deputy shall submit a Deputy Final Report to the Head of the Implementing Agency based on reports from the respective program leaders or implementing unit as well as other information.
- The Head of the Implementing Agency submits a Final Implementing Agency Report based on the Final Report from each Deputy and other information. The Implementing Agency's Final Report shall be forwarded to the President with copies to the Governor of NAD and or Governor of North Sumatra, the Supervisory Board, and the Advisory Board, Ministers and other relevant departments.

The submission of the Final Report is determined according to the progress of the program/activities and the Implementing Agency's end of duty.

2. Reporting Principles

The progress report on the rehabilitation and reconstruction of the NAD and Nias region and peoples shall refer to the following principles:

- Consistent, reflects the application of the principles of good governance and is auditable;
- Objective, comprehensive, informative and accurate
- Supported with sufficient, relevant, competent, and physical proof
- Shows the required level of achievement or in line with the designated target/objective, including the level of success and/or failure in achieving the targeted objective and causes for its success or failure.

3. Contents of the Report

The reports should at least contain the following:

- Level of achievement of the targeted objectives
- Financial accountability
- Management of inventory goods/supplies/assistance
- Constraints and its solution
- Complaints from the community and other stakeholders about the program's work performance and its follow up
- Next steps

II.2 Application of the Principles of Transparency and Participation

The application of the principles of transparency is mainly to make data/information on the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra including the policy formulation and implementation of organization work accessible to the public. Transparency generates mutual trust between the government, Implementing Agency (including among its internal sections), community and other stakeholders.

The principle of participation relies on the active and constructive participation of the public in the decision making process for the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra whether directly or through institutions that represent their interests. This participation is based on freedom to form associations in presenting their opinions for the success of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra. The application of the principles of transparency and participation is initiated from the planning stage to its completion and reporting.

II.2.1 Information on Activities within the Regional Rehabilitation and Reconstruction of Aceh and Nias-North Sumatra Should be Transparent

A major factor to promote or accelerate transparency and participation are: 1). Availability of comprehensive and up to date data/information on the rehabilitation and reconstruction of the regions and people of Aceh and Nias; 2) Easiness in accessing such data/information; and 3) uniformity of delivered data/information. Therefore, each implementing unit within the Implementing Agency must provide relevant data/information that is accessible to the public.

1. Data Processing

The Implementing Agency should provide data/information on funds management that is accurate, comprehensive and up to date on the following:

- The funds management system includes income, use and its accountability in line with APBN/APBD (national and district budget) mechanisms.
- The total amount and sources of funding (APBN, APBD, grants, community contribution, and others) and its management system;
- Number of refugees and victims of other disasters that have already received assistance and whose distribution are done by other parties;
- Which donors have made direct contributions/assistance to the refugees.

2. Organization and personnel

Necessary data/information that should be made accessible to the public includes:

- Organizational structure of the Implementing Agency
- Description of Duties and Function (authority and responsibilities)
- Integrity Pact and qualification of each personnel
- The management system and various work procedures (SOP)

3. Planning

Data/information on the Implementing Agency's program/activity plans that are accessible to the public should cover the following:

- Medium Term Plans (3-5 years)
- Short Term Plans (1 year)
- Other relevant plans including plans for budget use

4. Implementation

Comprehensive, accurate and up to date data/information on the implementation of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra that is accessible to the public and includes the:

- Progress of achieving the targets and objectives as well as its actual cost realization;
- Constraints and problems met and its solution
- Timely implementation of programs/activities from the planning stage to its final report.

5. Procurement of Goods and Services

Transparency in the procurement of goods and services for activities within the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra through the application of e-procurement which contains relevant data/information on:

- Requirements and information on the procurement of goods/services including its administrative requirements, evaluation procedures, results of the evaluation and determination of candidate suppliers;
- Efforts to promote the use of domestic products, design and engineering to provide job opportunities and develop the national industry in view of improving the competitiveness of national goods/services for the global market.
- Efforts to enhance the participation of small and medium scale industries including cooperatives and small business groups.
- Estimate costs are calculated professionally based on verifiable data.
- Candidates pass the pre-qualification process
- Evaluation results of the public/limited tender process, direct selection or appointment, including reasons for failing/aborting the tender.
- Appointment of winner/ direct appointment
- Contract
- Goods and Services delivery schedule

6. Distribution of Humanitarian Assistance

To ensure that the Implementing Agency and other relevant parties active in the distribution of the humanitarian program funds conduct their activities according to determined policies and prevailing regulations, a set of comprehensive, accurate and up to date data/information must be made available which includes:

- Total humanitarian funds that are available
- The value of assistance given, whether financial or in kind contributions

- Criteria and number of targeted beneficiaries
- Source and type of contribution (grants, loan, or others)
- Mechanism for funding disbursements and accountability

7. Accessibility to the Rehabilitation and Reconstruction Implementation Report

The report can be accessed by the public with report contents as mentioned in the paragraph on quarterly, semester, annual and final reports.

8. Information on the Supervision Process

Information on the supervision process and mechanisms on the implementation of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra is accessible to all stakeholders.

II.2.2 The Interactive Media and Mechanisms for Transparency and Participation.

1. The Media

To inform the public about the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra, the Implementing Agency and Ministerial Unit/LPND/District Government departments under the coordination of the Implementing Agency must provide an interactive medium that meets the needs of the people. Medias that are considered quite efficient and effective are:

- Internet website designed to accommodate the overall Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra;
- Grievances post office box
- Toll free telephone line
- Face to face dialogue with the Supervisory Board, Implementing Agency, or between the supervisory units/institutions and the people to collect their most current aspirations. The dialogues can be carried

out through discussions/ general meetings with the public, field visits, etc.

- Other medias that are easily accessed by the people.

2. Mechanism

Monitor through the guest book (website), grievances post office box, and toll free telephone line.

The application of transparency and participation by collating input, criticisms and suggestions received through the guest book (website), grievances post office box, and toll free telephone line are processed through the following mechanism:

- A Team or Unit is established to process and study all inputs/comments, criticisms and recommendations received. The Team assesses the validity of such grievances for further follow up or abandonment. Results of the Team's evaluation is conveyed to the director or appointed officer with the following information:
 - Source of grievances
 - Subject of grievances and its summary
 - Grievances for follow up should be completed with the type of follow up to be done and already been done.
 - Grievances that are not to be followed up should be completed with reasons for abandoning.

The director or appointed official may reject the Team's evaluation in part or as a whole and provide reasons for rejecting it.

- Response on inputs, criticism and recommendations that come in through the guest book, telephone or by normal mail should be put into a matrix form and contain the following items:
 - Name of grievance originator
 - Date of letter or input in the guest book
 - Summary of grievances
 - Response and follow up that has already been done or will be done
- A response informing of the follow up that will be done should be conveyed within 5 (five) work days by letter, website or other forms of communication.

- To facilitate the media for transparency and participation, the Implementing Agency should maintain an adequate amount and quality of technology information facilities and manpower.

Supervision through Meeting forums

For Supervision activities carried out through meeting forums, the Implementing Agency should provide objective responses and answers and whenever required, provide such responses in writing.

II.3 Applying the Principle of Law Enforcement

Each program within the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra should be implemented according to prevailing rules and regulations. If corruption or other digressions impede the program's target achievement, remedial actions must be immediately initiated through administrative sanctions and/or legal prosecution. To ensure adherence to the above principles, concrete follow up actions by the staff development section and/or legal authorities upon recommendations from the audit/supervisory unit should be made in a transparent and consistent manner in line with prevailing law.

The Implementing Agency will receive all grievances and input from all levels of the community with regard to the implementation and performance of the program by the Implement Agency or other parties under their coordination, i.e. government offices, ministries/LPND, NGOs, the private sector and others. The Implementing Agency has the authority to follow up on each grievance through the legal systems.

III. SUPERVISING THE IMPLEMENTATION OF THE REHABILITATION AND RECONSTRUCTION ACTIVITY

In general, supervising the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra is to help the Implementing Agency to (1) improve performances; (2) provide independent information on their performance and (3) provide recommendations to the management to correct problems that hinder target achievement. The process and mechanisms of supervision on the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra should be made accessible to all

stakeholders. Therefore, when dealing with and serving the audit process by APIP or by the people and other institutions, all staff within the Implementing Agency must provide their full cooperation to facilitate the success of the audit exercise. Supervision/audit by APIP, the community/other institutions assists the Implementing Agency to achieve their designated target/objectives.

III.1. Supervisory Institutions

The program is an inter-sectoral program that is quite proliferate and its implementing body takes variable forms. It is located throughout the districts/municipals of the two provinces that are most severely affected by the earthquake and tsunami disaster. Other institutions authorized to conduct supervision on the Implementing Agency is quite variable and can be categorized as follows:

III.1.1. Government Internal Supervisory Apparatus (APIP)

Commensurate with their respective authorities, the relevant APIP authorized to supervise the Implement Agency are:

- a. the Development and Financial Supervisory Agency (BPKP)
- b. the Ministerial Inspectorate General or the LPND Inspectorate
- c. Provincial Supervisory Body (*Bawasda*)
- d. District/municipal Supervisory Body
- e. Supervisory Unit attached to POLRI
- f. Supervisory Unit attached to TNI
- g. Internal Audit Unit within the Implementing Agency for the rehabilitation and reconstruction of Aceh and Nias.

III.1.2. Departments/Institutions and Other Parties

Departments, institutions and other parties may initiate direct or indirect supervision on the implementation of the rehabilitation and reconstruction program for the region and peoples of Aceh and Nias, these are the:

- a. Elements of the regional government (province/district/municipal) other than *Bawasda*.
- b. Oversight Committee
- c. District Civil Emergency Authority Supervisory Body (NAD)
- d. Joint Supervisory Team
- e. Other independent supervisory bodies within the community, NGO, mass media and other parties outside the Oversight Committee.

- f. Independent auditors (i.e. McKinsey for accountability or Ernst & Young for financial audit) specifically requested by the Oversight Committee and donor agencies.

In order to tap the people's aspirations concerning the rehabilitation and reconstruction program, each department/institution related to supervisory work must be responsive and conduct direct dialogues periodically with the people, whether through field visits, meeting forums, or other communication medias.

The Supreme Audit Agency (BPK), Anti Corruption Committee (KPK), province/district/municipal DPR and DPRD should monitor/inspect the program's implementation according to prevailing rules and regulations. Such matters are not covered within this guidebook. However, coordination and cooperation within the supervisory aspect should be endeavored.

The Oversight Committee is an independent body and its membership consists of experts having the knowledge and understanding in supervisory work. The Oversight Committee should be able to function effectively in supervising the implementation of the rehabilitation and reconstruction program, receive and follow up on grievances submitted from various sources including from the people and are able to conduct audit at the behest of the Implementing Agency.

III.1.3. Inspector Integrity

In recognition to the principles of equity, other than integrity of the implementers for the rehabilitation and reconstruction program as stipulated previously, the auditors involved in auditing the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra should also possess integrity in carrying out their duties according to audit principles and sign an Integrity Pact covering the following:

- a. Will not conduct corruption or other forms of power abuse;
- b. Will conduct all tasks independently, honestly, transparently, and professionally through the optimum use of their capabilities and resources to provide excellent work starting from the preparatory/planning stage, implementation and completion of work/activities
- c. Prepared to accept administrative sanctions, fines and legal prosecution according to prevailing law, should any part of the Integrity Pact is violated.

To ensure that integrity is upheld by the auditors and the results of their supervision/inspection is accountable, an Audit Ethics Committee should be established to assess the integrity of the auditors. The committee should consist of professional staff, representatives of the religious groups, members of the DPR, representatives of organizations concerned in anti corruption as well as the director of APIP.

Unethical auditors are given sanctions, while the supervisory/inspection unit and individuals who had conveyed their reports and were successfully followed up through the return of funds, and national assets are rewarded. Therefore, a positive incentive mechanism must be formulated.

III.2. Inspector Coordination

In view of the many APIP institutions able to conduct supervision on the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra, it is hoped that coordination between the APIPs may help eliminate possibilities for duplication. Therefore, regular meetings should be held between the APIPs through a coordination forum throughout the supervisory planning, implementation, reporting stages and its follow up.

When formulating their annual work-plans, each APIP should estimate the number of activities that can be audited in a year after assessing the number of auditors and the amount of funds available. Activities that cannot be audited within the year should be referred to other APIP so that no activity is left un-audited within the reported year. Each activity should not be audited by more than two auditors every time, and each audit should be held at least three months after the previous audit. The APIP conducting the next audit should make use of the latest/previous audit report. For certain activities, the audit should be done in teams involving several APIP including from BPK and KPK. The purpose of such joint audits is to improve the audit results and reduce possibilities for overlap between each APIP. To reduce possibilities of conflict concerning the 'quality' of such audits, the IAI (Indonesian Accountant Association) Standards of Accounting will be used as long as it does not conflict with state law and regulations.

In line with the principle of transparency to the people, all audit results should be made accessible to the people. The results of each audit will be regularly distributed to the other APIPs.

For other institutions outside APIP (i.e. public accountants assigned by donors) wishing to conduct audits must coordinate with APIP through the above coordination forum. The establishment of such **coordination forums** would hopefully produce a compilation of audit results done by APIP and other institutions. To facilitate the forum's efficiency and effectiveness, a coordinator agreed by all may be appointed.

III.3. Participation and Partnership in Supervision

The form of participation and partnership from the Implementing Agency in dealing with supervision by APIP and other institutions/parties can be carried out as follows:

III.3.1. Participation and Partnership in Audits by APIP

Audits done by APIP on the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra is declared over when all the audit recommendations are followed up by the respective parties involved within the Implementing Agency, and the staff development section of the concerned office and/or by legal authorities. Audits may be done as current audit (*ex-ante*) or post audit (*post-ante*), meaning that the audit will not only be done after a program/activity is completed, but also during the program implementation. The purpose of this is to prevent as early as possible, any deviations that may occur and initiate immediate remedial actions as necessary.

To assist in the audit process and its follow up, all levels of the Implementing Agency must be aware of such an exercise and actively participate in some of the supervisory process as follows:

I. Auditor

The scope of audit within the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra is basically on all aspects of management which includes the financial aspect, process of implementation and its results (output, benefit of output and its impact). The audit is done in several stages. Therefore, each relevant unit within the Implementing Agency must fully assist within each stage of the audit as follows:

Audit preparation

Audit preparation is to obtain general information on the program/activity being audited and identify the management aspects or problems within the Implementing Agency that shows weakness and requires further scrutiny as a *tentative audit objective*. At this stage, the implementing units at the Implementing Agency should assist by providing all the necessary information and data needed to facilitate the next level of inspection.

Testing the Management Control Systems

The purpose of testing the management control systems is to assess the effectiveness of management control within the Implementing Agency and identify weaknesses that can be assumed as a *tentative audit objective*, and later be classified as a *confirmed audit objective* (definite audit target), or for no further audit. At this stage, the audited unit must provide objective reasons in order to make the audit useful.

Continued Audit

Continued audit intends to obtain enough evidence to support definite investigation of the *confirmed audit objective* determined from testing the management control systems stage. At this stage, auditors can now analyze and make further investigations in order to confirm the findings and present recommendations acceptable to the object under inspection (*obrik*). During this stage, the implementing units within the respective Implementing Agency should provide relevant proofs openly without any attempt to cover up so that auditors may assess the problem, causes and effects in relation to actual conditions and provide accurate recommendations.

Exit Conference

In keeping with the principle of transparency and equity in the audit process and according to audit ethics, a final meeting or “exit conference” is held between the auditors and audit objectives to discuss the results of the audit, particularly their findings and other important issues. The respective implementing unit should participate fully in this meeting to:

- Scrutinize the overall audit findings prepared by the auditors, especially concerning:
 - Whether the issues stated by them corresponds with actual fact

- Whether the impact caused by the problem is appropriate and accurate;
 - Whether the cause of the problem is actually the root cause of the matter;
 - Recommendation: whether the recommendations forwarded are tangible and doable.
- Provide comments that are considered important to the draft audit findings. Any disagreements should be supported with valid reasons to enable the auditors in providing appropriate recommendations to resolve the cause of deviation/oversight and initiate repressive actions on the impact caused by it.
 - Prepare follow up actions according to results of the audit meeting (exit conference)

II. Implementation of Follow up actions

The implementation of follow up actions on the results of the audit/supervisory exercise by the Implementing Agency, staff development office of the respective institution and/or legal authorities reflect their responsiveness to the audit results on the one hand, and indicates the success of the audit mission by APIP on the other. Audit results would not benefit the improvement of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra if follow up actions recommended by APIP and the audit result is not implemented. Therefore, the government needs to underline its importance to the respective parties to consistently and transparently implement the recommendations of the audit result.

III. Monitor and Evaluate the Implementation of Follow Up Actions

To ensure the implementation of the follow up actions, an Internal Audit Unit will need to monitor the implementation of such follow up actions by the respective implementation units under the Implementing Agency by:

- Evaluating the implementation of follow up actions by the implementing unit, especially on recommendations that have not been or cannot be followed up.

- Communicate results of the evaluation to the respective APIP on findings that have not been or cannot be followed up and the constraints that hinder its implementation.

III.3.2. Advocate Supervision/Control by the Community and Other Organizations

Supervision by the community and other organizations are generally unstructured unlike supervision by APIP. To promote community participation in monitoring the performance in the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra, the Supervisory Board, Implementing Agency and APIP should establish a facility or mechanism for the active and constructive participation of the public in monitoring the performance of the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra since the planning stage, budget formulation, implementation, monitoring and evaluation. Such facility and mechanisms can be developed through the internet, post office box or toll free telephone line, direct dialogues with the people and field visits.

III.3.3. Regulation Analysis Committee

Audit findings written within the Audit Report often proposes an 'oversight' that conflicts with legal procedures/regulations. In such a case, further investigations must be done to assess the cause for such mistakes. The cause of such mistakes generally falls under 3 possibilities:

- | | | |
|--------|---|--|
| First | : | Ignorance or mistake in interpreting the regulations/procedures |
| Second | : | Deliberate oversight to benefit certain parties at the expense of the state/certain parties/the community |
| Third | : | Deliberate oversight to achieve the required program performance without disadvantaging any party because the violated procedures/regulations tend to impede or are irrelevant to the purpose of the program and impossible to apply or overlaps other regulations, etc. |

Administrative sanctions or legal actions need to be applied for the First and Second causes commensurate with the digression or level of oversight done. The Third cause is not categorized as an oversight that can be followed up by legal actions to the perpetrator because actually, they are doing a 'positive digression' for the benefit of achieving the program's target. Follow up actions for the third cause would be to assess/review the regulations/procedures that are considered no longer appropriate and initiate adjustments (change/replace/omit) for the whole or part of the said regulations/procedures.

The fundamental purpose of such reviews/assessments is to maintain and improve compliance to government ethics and prevailing law. A special committee should be established to conduct such reviews. For the province level, the committee's members are appointed by the Governor and consist of elements from the district government, DPRD, NGO active in anti-corruption issues, religious organizations, the academic/professional community, the private sector and other relevant parties.

With the participation of all levels of the community in the Province of NAD and Nias Islands, North Sumatra, it is hoped that the Committee will be able to gain consensus for the refinement of regulation contents and other procedures that will strengthen the local government ethical framework including the principle of good governance, particularly within the district government context.

The Committee may also provide recommendations based on the results of their assessment/analysis to other interested parties outside NAD and Nias, North Sumatra to improve/refine regulations/procedures in order to support and facilitate the government and development tasks.

To facilitate the regulation and procedure assessment/analysis exercise, a Secretariat may be established to assist the Committee in organizing and processing the audit reports, arrange meetings with other parties and provide information (recommendation) to other parties including the government institutions and the public. The functions of the Secretariat can be undertaken by the Internal Audit Unit.

IV. SCHEDULE FOR THE APPLICATION OF GOOD GOVERNANCE AND SUPERVISION FOR THE REHABILITATION AND RECONSTRUCTION PROGRAM IMPLEMENTATION

As a part of the Master Plan for the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra, this book serves as reference for the application of the principles of good governance and supervision for the rehabilitation and reconstruction program implementation for the regions and people of Aceh and Nias, North Sumatra. The schedule for implementation of this guidebook is explained in the following matrix:

**Schedule for the Application of Good Governance and Supervision
Of the Rehabilitation & Reconstruction Program Implementation**

Scope of Activities	Timeframe											
	2005		2006		2007		2008		2009		2010 etc...	
	S-I	S-II	S-I	S-II	S-I	S-II	S-I	S-II	S-I	S-II	S-I	S-II
Apply and institutionalize good governance												
Apply the Integrity Pact												
Monitor and evaluate												
Supervision/inspection/audit												
Follow up on results of supervision, inspection/audit												
Monitor follow up applications												

V. SANCTIONS

Digressions from the procedures and provisions as stipulated in this guidebook, or any abuse of power in the implementation of the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra will mean financial loss to the country and reduce its the ability to achieve the designated goals and objectives and may be penalized by law.

IV. CONCLUSION

This guidebook on the application of good governance within the implementation of the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands, North Sumatra should be consistently applied by the Implementing Agency and other institutions involved in the Rehabilitation and Reconstruction of the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands, North Sumatra coordinated by the Implementing Agency. Cognizant that conditions in the post disaster areas (Aceh and Nias) are not normal like other areas untouched by the disaster, should any of the regulations related to the

implementation of the program/activities (i.e. procurement of goods and services: unit price, tender process and direct appointment, qualification and the domiciling address of its suppliers, tax/customs, etc.) are not able to be fully applied within the disaster areas (Aceh and Nias), the Implementation Agency may forward a request the government to provide legal dispensation on the said regulations.

This guidebook may be further amended or elaborated according to need and new developments at field on condition that such measures are taken for the benefit of achieving the Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra program objectives. Such amendments may include the formulation of work procedures and formats as necessary.

It is expected that the application of good governance within the Rehabilitation and Reconstruction program for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands -North Sumatra will not only ensure the success of the program/activities but also promote or contribute: 1) the application of good governance principles in the mitigation of natural disasters in other areas (anticipate the mitigation of possible disasters in other areas); and 2) familiarize the application of good governance principles within the Province/District/Municipal governments in NAD and North Sumatra in particular, and within the government environment in general.

ATTACHMENT 1: EXAMPLES OF TABLES FOR THE IMPLEMENTATION OF THE REHABILITATION AND RECONSTRUCTION REPORTS

Following are examples of an accountability report that needs to be attached to the Implementing Agency Accountability Report. These tables may be amended by adding or reducing the columns according to need and as long as such amendments are informative and improve the success of target achievement.

1. Financial Disbursement Report

No.	Source of Funds	Activity	Budget	Weight (%)	Disbursement	Expenditure		Remarks
						Total	Weight (%)	

2. Realization of Activities Report

No.	Source of Funds	Activity		Supplier	Contract	Contract Value (Rp '000)		Contract Period				Physical			Remarks
		Type	Volume		No./Date	Original	Amended	Start	Completed			% from Plan	Realized	Deviation (%)	
									Original	Amended	Realized				

3. Constraints and its Solution

No.	Constraints/Problems	Solution

4. Inventory Report

No.	Group Item		Volume	Price (Rp)	Condition			Remarks
	Code Number	Item			Good	Minor Damages	Major Damages	

5. Realization of Activities Report

No.	Type of Assistance	Received by		Volume/ Unit	Remarks
		Name	Address		

**ATTACHMENT I.2: SEVERAL RULES RELATED TO THE IMPLEMENTATION OF THE
REHABILITATION AND RECONSTRUCTION PROGRAM**

No.	Activity	Regulation
1.	Procurement of Goods and Services	Presidential Decree No.80/2003 on Guidelines for the Procurement of Government Goods and Services
2.	Application of Good Governance Principles	Law No.28/1999 on Implementation of Good Governance Free from Corruption, Collusion and Nepotism
3.	Integrity Pact	Presidential Decree No.80/2003 on Guidelines for the Procurement of Government Goods and Services
4.	Development Planning	Law No.25/2004 on the National Development Planning System
5.	Financial Management	<ol style="list-style-type: none"> 1. Law No.17/2003 on State Finance 2. Law No.1/2004 on National Treasury 3. Government Regulation No.105/2000 on the Management and Accountability of District Finance 4. Home Minister's Decree No.29/2002 on District Finance Management and Accountability 5. Financial Minister Decree No.337/KMK.012/2003 on Central Government Financial Accounting and Reporting 6. Chairman of the National Accounting Agency Decree No.KEP-07/AK/2003 on Implementation of the Formulation of the State Minister's/Department Financial Reports for FY 2003
6.	Supervision/Inspection	<ol style="list-style-type: none"> 1. Law No.20/2001 on Amendments to Law No.31/1999 on Elimination of Corruption Acts 2. Law No.15/2004 on Investigations on State Finance Management and Accountability

- 7. Corruption elimination
 - 1. Law No.30/2002 on the Establishment of the Anti Corruption Committee (KPK)
 - 2. Presidential Decree No.5/2004 on Acceleration of the Elimination of Corruption Acts
- 8. Others

PRESIDENT OF THE REPUBLIC OF INDONESIA

Dr.H. SUSILO BAMBANG YUDHOYONO