



**Campaign Finance, Regulation and Public Disclosure
in the Republic of Indonesia**

**REPORTING AND PUBLIC DISCLOSURE OF
FINANCIAL ACTIVITY OF POLITICAL PARTIES
AND ELECTORAL PARTICIPANTS**

November 2004

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INTRODUCTION

The Republic of Indonesia held a series of historic national elections in 2004 that were extraordinary in scope and complexity:

- On 5 April, general elections were held to elect representatives for legislative assemblies at three levels – national DPR (People’s Representative Council), DPRD-Province, and DPRD-Regency/City – and for the new national ‘upper house’, the Regional Representative Council (DPD). The DPR/DPRD elections employed a new multi-member electoral district system and allowed voters to show their preference among candidates on political party lists. The DPD elections were conducted at provincial level and were non-partisan.
- On 5 July, for the first time in Indonesia’s history, direct elections for President and Vice-President were held. Five presidential tickets competed in the first round, but no ‘candidate pair’ reached the 50% threshold. A second round election between the two leading ‘candidate pairs’ was held on 20 September, which resulted in election of a new President and Vice-President backed by a strong popular mandate.

Implementation of these elections presented significant challenges for election administration, logistics and voter education. In both legislative and presidential elections, competition among political parties and candidates was vigorous. Yet the election campaign, voting and counting processes were orderly and peaceful. Indonesia’s 2004 elections were viewed as highly successful by international and domestic observers and, most importantly, by the Indonesian public.

However, regulation and public disclosure of financial activity of political parties and candidates have been an ongoing weakness in Indonesia’s political system. These regulatory areas also pose problems in mature democracies, but are made more difficult by Indonesia’s long legacy of corruption and lack of transparency.

Transparency through political finance reporting enables the public (assisted by news media and civil society) to assess the sources of financial support and spending activity of political parties and candidates. Transparency is also essential for enforcement of political finance rules, such as limitations and prohibitions upon sources of contributions to political parties and candidates.

IFES/Indonesia has previously issued five *Money and Politics* reports (available at www.ifes.org/reg_activities/indonesia_map_reports.html). IFES’ series of reports began with a review of the very modest effort at regulation and public disclosure of political finance in Indonesia’s 1999 legislative elections. IFES’ reports have provided status reports, analysis and recommendations regarding a broad range of political finance issues in Indonesia during the past five years, and were particularly aimed at encouraging improvements to the legal framework in advance of 2004 elections.

This IFES *Money and Politics* report focuses upon implementation in Indonesia’s 2004 elections of legal requirements for financial reporting by political parties and candidates. This report includes a discussion of political finance reporting requirements and reporting schedules, and describes the apparent extent of compliance by political parties and candidates with the basic disclosure requirements.

Although the legal framework for political finance transparency in Indonesia was generally improved for 2004 elections, the findings of this report show that reporting obligations in these provisions were widely avoided by the political parties and electoral participants. This result is particularly discouraging given the serious effort by the General Elections Commission (KPU), in cooperation with the Indonesian Accountants Association, to develop clear implementing regulations and to provide detailed instructions and guidance for political parties and candidates. (See: **ROLE OF INDONESIAN ACCOUNTANTS ASSOCIATION** section, below.) This result is not surprising, however, given the absence of meaningful sanctions in the relevant political laws for non-compliance with political finance reporting obligations.

Thus, the subject of political finance regulation and disclosure should be re-examined and discussed before attention to Indonesia's historic 2004 elections begins to fade. This report includes a brief **RECOMMENDATIONS** section intended to encourage this review.

SUMMARY OF POLITICAL FINANCE REPORTING PROVISIONS

Political finance rules and disclosure requirements in Indonesia primarily emanate from three political laws – Law No. 23 of 2003 on Presidential Elections, Law No. 12 of 2003 on General [Legislative] Elections, and Law No. 31 of 2002 on Political Parties – and from KPU Decrees (implementing regulations). A summary of reporting obligations is included immediately below.¹

For narrative purposes, three political laws will be abbreviated as follows:

- Law No. 23 of 2003 on Elections for President/Vice-President = Presidential
- Law No. 12 of 2003 on General Elections (DPR/DPRD) = Legislative
- Law No. 31 of 2002 on Political Parties = Parties

Law No. 31 of 2002 on Political Parties

- All political parties that are registered with the Ministry of Justice are required to prepare a 'periodic financial report annually' and submit this report to the KPU following an audit by a public accountant (*Article 9(i) of Law No. 31 of 2002*). The annual financial report covers the period of 1 January to 31 December (*Article 1(6) of KPU Decree 676 of 2003*). Parties are obligated to prepare the annual financial report pursuant to the accounting procedures and systems in *KPU Decree 676 of 2003 (Article 5 of the Decree)*.
- The annual financial report must be submitted for audit by the party to an accountant (who is licensed by the Ministry of Finance and not affiliated with a party or election participant) no later than three months after the end of the fiscal year (*Article 7(1) of KPU Decree 676 of 2003*). The accountant must then complete the audit within three months (*Article 7(2)*), and the political party must then submit the audited annual financial report to the KPU within 7 days (*Article 7(3)*).

¹ A more complete **OVERVIEW OF RELEVANT POLITICAL LAWS AND KPU DECREES**, with excerpts, is provided in **ATTACHMENT ONE**. An IFES-prepared consolidated schedule of financial reporting obligations in 2004 for political parties and electoral participants is provided in **ATTACHMENT TWO**.

- Under the political party law, parties must maintain a Special Election Campaign Fund Account; an audited ‘balanced financial statement’ for the Special Election Campaign Fund Account must be submitted to the KPU no later than 6 months following election day (*Article 9(j) of Law No. 31 of 2002*). Implementing regulations further stipulate that electoral participants (including political parties for elections for DPR/DPRD) must maintain a special account for campaign funds [see: discussion in next section regarding *Law No. 12 of 2003 on General Elections*].
- The political party law provides that contributions to political parties from individuals may not exceed two hundred million rupiah in a one year period and that contributions from corporations or business entities may not exceed eight hundred million rupiah in a one year period (*Article 18(1&2)*).

Law No. 12 of 2003 on General Elections

- Campaign fund reports of electoral participants (qualified political parties and DPD candidates) cover the period from the time of qualification as an electoral participant by the KPU until two days prior to election day (*Article 9(1&2) of KPU Decree 676 of 2003*). Electoral participants are obligated to prepare the campaign fund report pursuant to the accounting procedures and systems in *KPU Decree 676 of 2003 (Article 8(1) of the Decree; reiterated in Article 3(1) & 4(1) of KPU Decree No. 30 of 2004)*.
- Implementing regulations further stipulate that electoral participants must maintain a special account for campaign funds (*Article 8(2) of KPU Decree 676 of 2003*). These special accounts must be registered with the KPU within 7 days of certification as an electoral participant (*Article 8(3) of KPU Decree 676 of 2003*).
- Campaign fund reports of electoral participants must be submitted for audit to a public accountant no later than sixty days after election day (*Article 79(1) of Law No. 12 of 2003*) [compare to provision in political party law, discussed above]. The accountant must then complete the audit within thirty days (*Article 79(2)*), and the electoral participant must then submit the result of the audit to the KPU within 7 days (*Article 79(3)*).
- Electoral participants must report contributions of more than five million rupiah to the KPU, Provincial KPU, or Regency/City KPU, stating the form, amount and full identity of the donor (*Article 78(4) of Law No. 12 of 2003*). These levels of election commissions shall publicize contribution reports of electoral participants through the mass media (*Article 78(5)*).
- The general election law provides that contributions to a campaign fund from individuals shall not exceed one hundred million rupiah and from private entities shall not exceed seven hundred and fifty million rupiah (*Article 78(2)*).

Law No. 23 of 2003 on Presidential Elections

- Electoral participants are presidential/vice-presidential ‘candidate pairs’, who are required to maintain a special account for campaign funds (*Article 43(2) of Law No. 23 of 2003 and Article 8(2) of KPU Decree 676 of 2003*). These special accounts

must be registered with the KPU within 7 days of certification as an electoral participant (*Article 8(3) of KPU Decree 676 of 2003*), and must be closed one day after the end of the campaign period (*Elucidation of Article 43(2) of Law No. 23 of 2003*).

- Campaign fund reports of presidential/vice-presidential ‘candidate pairs’ cover the period from the time of qualification as an electoral participant by the KPU until two days prior to election day (*Article 9(1&2) of KPU Decree 676 of 2003*). Electoral participants are obligated to prepare the campaign fund report pursuant to the accounting procedures and systems in *KPU Decree 676 of 2003 (Article 8(1) of the Decree*; reiterated in *Article 3(1) & 4(1) of KPU Decree No. 30 of 2004*).
- Campaign funds of a presidential/vice-presidential ‘candidate pair’ are technically managed by its Campaign Team (*Article 44(1) of Law No. 23 of 2003*). Campaign fund reports of ‘candidate pairs’ must be submitted to the KPU no later than 3 days after election day (*Article 44(2)*). The KPU must submit the campaign fund report for audit to a public accountant within 2 days after receiving it (*Article 44(3)*). The accountant must then complete the audit within fifteen days (*Article 44(4)*), and the result of the audit shall be publicly announced by the KPU within 3 days (*Article 44(5)*).
- Presidential/vice-presidential ‘candidate pairs’ must report contributions of more than five million rupiah to the KPU, stating the amount of the contribution and full identity of the donor (*Article 43(5) of Law No. 23 of 2003*). Reports on these contributions must be submitted one day prior to the beginning of the campaign period and one day after (*Article 43(6)*); the KPU shall publicize these contribution reports through the mass media one day after receiving them (*Article 43(7)*).
- ‘Candidate pairs’ who receive contributions from foreign sources, government or state owned enterprises, or from donors whose identity is not clear (prohibitions in *Article 45 (1) of Law No. 23 of 2003*) may not use such funds, must report such funds to the KPU within two weeks after the end of the campaign period, and must surrender such funds to the State Treasury (*Article 45 (2)*).
- The presidential election law provides that contributions to a campaign fund from individuals shall not exceed one hundred million rupiah and from private entities shall not exceed seven hundred and fifty million rupiah (*Article 43(3)*).

KEY ISSUES IN POLITICAL FINANCE REPORTING

Disclosure of Contribution Donors

The purpose and function of the reporting obligations for contributions exceeding five million rupiah appearing in *Article 43* of the presidential election law and *Article 78* of the legislative election law were unclear. Standard legislative interpretation would favor a view that the provisions in each law that require reporting of ‘large contributions’ are distinct from the provisions requiring post-election campaign fund reports to be submitted. Thus, these provisions would be seen as an additional (and interim) reporting requirement rather than a limitation upon the general requirement to report all campaign funds after the

election. That standard interpretation would seem to apply to Indonesia's presidential and legislative election laws because:

- The two types of reporting provisions are in separate articles in each law;
- The provision in the legislative election law for electoral participants to report large contributions requires the reports to be submitted to election committees at national, provincial, and regency/city levels, but does not specify a time frame (the post-election report is submitted to national KPU only, and no later than 97 days after the election);
- The provision in the presidential election law for 'candidate pairs' to report large contributions to national KPU specifies deadlines (one day before and one day after the campaign period) that are different than the post-election report deadline (three days after voting day);
- Campaign fund reports are broadly described in *Article 79* of the legislative election law as including "income or expenditures"; guidelines issued in KPU decrees for audits of campaign fund reports refer to contributions without qualification as to amount (see: OVERVIEW, ATTACHMENT ONE).

Nevertheless, many Indonesian commentators (including media reports) presumed that electoral participants in both legislative and presidential elections were only obligated to identify donors for contributions exceeding five million rupiah. Some Indonesian observers suggested this limitation upon reporting of contributions was the general intent of the DPR in drafting the election laws, and/or that the campaign fund reports were to focus only upon expenditures.² However, *KPU Decrees No. 676 of 2003* and *No. 30 of 2004* do not mention the five million rupiah threshold for reporting contributions as affecting the election campaign reports. The KPU decrees do not provide guidance for any separate reporting obligation related to the 'large contribution' provisions, nor do they clarify the role of KPU-Province and KPU-Regency/City in publicizing these reports for electoral participants in the legislative elections.

Unfortunately, the confusion about application of the five million rupiah threshold served to relieve political parties and electoral participants of reporting (or even record-keeping) about the sources of substantial amounts of contributions. That situation provided a huge potential loophole for hiding the identity of donors, particularly absent clear understanding about the need to 'aggregate' contributions originating from the same donor.

Ultimately, as shown in the **STATUS OF COMPLIANCE WITH REPORTING OBLIGATIONS** section, below, these confusing provisions for reporting of contributions were largely ignored by electoral participants (in legislative elections) or observed by means of general campaign fund reporting obligations (in both legislative and presidential elections).

² Interpretation is further complicated by language in the presidential election law regarding the reporting of contributions. Paragraph 6 of *Article 43* (the provision regarding timing of 'large contribution' reports) refers to contributions under paragraph 3 – the general provision for limitations in amount of contributions from individuals or legal entities – as well as to paragraph 5, the five million rupiah threshold for special reporting (see: ATTACHMENT ONE). The general reporting obligation for campaign funds is in *Article 44*.

Auditing of Political Finance Reports

Indonesia's three political laws take different approaches to auditing requirements for political finance reports:

- The political party law simply requires financial reports that are submitted to the KPU to have already been audited.
- The legislative election law specifies a schedule under which: financial reports of electoral participants shall be submitted to a public accountant; the accountant shall complete the audit, and; audit results shall be submitted to the KPU.
- The presidential election law sets a tight timetable by which financial reports of president/vice-president 'candidate pairs' shall be submitted to the KPU; the law then obligates the KPU to submit the reports to a public accountant for audit, and later requires the KPU to publicly announce the audit results.

These developments in the political laws suggest increasing recognition of the importance of audits of political finance reports by professional and independent accountants. (See: summaries of *KPU Decree No. 676 of 2003* and *Decree No. 30 of 2004*, in **OVERVIEW, ATTACHMENT ONE**, and discussion in the **ROLE OF INDONESIAN ACCOUNTANTS ASSOCIATION** section, below.)

Not surprisingly, implementation of financial reporting and auditing during the presidential elections, in which the KPU hired accountants to conduct audits, was markedly improved over the process in legislative elections, or the process for political party annual reports, in which electoral participants and/or parties hired their own accountants. Adherence to KPU decrees, and to guidelines for audits contained therein, was significantly greater for audits conducted for campaign fund reports of 'candidate pairs' in the presidential elections.

The purpose and effect of accountants' audits of political finance reports under the political laws needs to be fully re-examined. IFES' review of audit reports and financial information, which was submitted pursuant to the provisions of the political laws described above, indicates several areas of misunderstanding or inconsistent application:

- Although the audit guidelines developed by the KPU with the assistance of the Indonesia Accountants Association (see below) were well drafted, it appears that most accountants responsible for auditing political finance reports did not know how or when to apply these guidelines, and instead relied upon general accounting standards.
- The function of the audit report was viewed as purely administrative and not substantive; i.e., the auditors only evaluated whether the financial report followed accounting procedures ('qualified'), and gave no opinion or conclusion about the completeness or accuracy of financial reports.
- It appears that most accountants did not look beyond the face of the documents they were provided by political parties and/or electoral participants, and thus did not question the information itself or seek further supporting documentation.

These issues raise serious questions about whether the process of auditing of financial reports of political parties and electoral participants in Indonesia actually serves to illuminate and verify (or instead to filter and obscure) relevant financial information. This is particularly true when, as in the legislative election law, the legal requirement is to submit the ‘results of the audit’, rather than to submit a complete (and ‘audited’) financial report itself.

Sanctions for Non-Compliance with Financial Reporting Obligations

Indonesia’s political party law specifically assigns responsibility for oversight to state bodies, including the Ministry of Home Affairs and Regional Autonomy, for particular aspects of financial activity of political parties. But the party law only empowers the KPU to impose the sanction of ‘public reprimand’ for failure of parties to meet financial reporting obligations. The legislative and presidential election laws more broadly rely upon election supervisory committees (*Panwas*) as the avenue for complaints and investigations of election related violations, which then depends upon follow-up by the KPU, prosecutors and courts. These laws have severe criminal penalties for submitting false information (which may actually discourage enforcement), but no sanctions for general failures to properly file financial reports.³

As recommended below, relevant political laws need revision to impose specific and appropriate administrative penalties upon political parties and electoral participants for failure to submit financial reports in a timely and complete manner.

Public Disclosure of Political Finance Reports

The national KPU apparently made some effort to remind political parties and electoral participants of their financial reporting obligations and deadlines. However, IFES’ most recent experience in inquiring about the extent and nature of compliance by political parties and electoral participants with political finance reporting obligations confirms that the KPU has given very little attention to facilitating public disclosure of this information.

The bureau at the KPU responsible for receiving political finance reports was cooperative, but lacks adequate guidance, facilities or personnel to properly organize and inventory these materials or to make them easily accessible to the news media, NGOs, and the general public.⁴ And, of course, the KPU bureau makes no official effort to scrutinize or assess the accuracy or completeness of reports.

Even with regards to presidential election campaign fund reports, which received far greater public attention, the disclosure function was relegated to announcement by KPU members of the generally approving results of audits. Further, as indicated in the **STATUS OF COMPLIANCE WITH REPORTING OBLIGATIONS** section, below, the provisions in the election laws establishing special reporting requirements for contributions to electoral

³ For a full overview of enforcement and sanctions issues under the political laws, see: *Money and Politics – Part 4*, at www.ifes.org/reg_activities/indonesia_map_reports.html.

⁴ See: RECOMMENDATION 13, in *Money and Politics – Part 4*, at www.ifes.org/reg_activities/indonesia_map_reports.html.

participants exceeding five million rupiah (including duties to publicize these reports by election commissions at three levels) simply was not implemented.

This situation is primarily due to inadequate resources devoted to the KPU and KPUDs. The failure of commitment to public disclosure for political finance reporting also reflects a general lack of appreciation for the merits of financial transparency in Indonesia. This failure is aided by a pervasive sense of futility resulting from a lack of meaningful legal sanctions for political parties or electoral participants that do not comply with financial reporting obligations.

ROLE OF INDONESIAN ACCOUNTANTS ASSOCIATION

A remarkable new component of political finance regulation in Indonesia for 2004 elections was the active involvement of the Indonesian Accountants Association (IAI) in developing standards and guidelines for political finance reporting and auditing.

IAI submitted a proposal to the KPU in late March of 2003 (a month after DPR approval of the new law on general elections) offering cooperation regarding “Development and Application of a Financial Accounting System for the Participants of the 2004 Election”. After KPU deliberation, a Memorandum of Understanding was signed between the KPU and IAI on 7 August 2003. The MOU outlined the scope of work, including to:

- Draw up implementing directives for procedures of financial administration of political parties and electoral participants;
- Devise guidelines for political party financial accounting and campaign funding reporting by election participants;
- Socialize such guidelines; and
- Create a Center for Technical Support (‘help desk’ and ‘hotline’) in Jakarta.

Workshops were held on 18 September and 18 October 2003 to begin drafting guidelines for the political party financial accounting system and for campaign fund reporting by election participants. After further review within IAI and by outside experts, IAI submitted the draft guidelines to the KPU on 1 November 2003. On 3 December 2003, the KPU issued *Decree No. 676 of 2003* on the Financial Administration Procedure and Financial Accounting System of Political Parties and Campaign Fund Reporting for Electoral Participants. (See: summary in **OVERVIEW, ATTACHMENT ONE**; also, for full text, see: www.ifes.org/reg_activities/indonesia_decrees.html.)

Two seminars were held in December 2003 to introduce and discuss the KPU decree with Heads and Treasurers of the political parties participating in the general election and DPD candidates. A third, two-day seminar was also held in December 2003 to provide technical guidance concerning the political parties’ accounting system and reporting of campaign funds by electoral participants.

The Center for Technical Support was opened on 2 January 2004. A ‘training of trainers’ program (for IAI members and NGO election observers) was held in Jakarta the next week. Seminars tailored for political party organizers in the regions were also held in January 2004 in Makassar, Surabaya, Yogyakarta, Banjarmasin, Palembang and Medan. Radio talk shows and newspaper advertisements on topics related to financial accountability and campaign funding rules for political parties and electoral participants were utilized in February and March 2004 to socialize *KPU Decree No. 676*.

IAI was simultaneously working on draft guidance for auditing political finance reports. On 21 April, based on IAI input, the KPU issued Decree No. 30 of 2004 on Guidance for Auditing the Financial Statements of Political Parties and Auditing of Campaign Fund Reports of Election Participants, which incorporated 'Agreed Procedures' developed by IAI. (See: summary in **OVERVIEW, ATTACHMENT ONE**; also, for full text, see: www.ifes.org/reg_activities/indonesia_decrees.html.) The decree was announced to offices of public accountants through IAI.

On 19 April, IAI sent reminder notification to Heads of political parties about the obligation of parties to file to submit annual financial reports. Another reminder about the annual report, with notification also about campaign fund report obligations, was sent by IAI on 4 May, and included IAI's offer of assistance. Campaign teams of presidential/vice-presidential 'candidate pairs' were sent similar notifications on 28 April and 19 May. DPD candidates were sent notifications from IAI on 24 May. In addition, the KPU itself sent notifications to political parties and electoral participants to remind them of reporting obligations and deadlines.

Several political parties attended IAI's seminars. Only one party accepted IAI's offer for special software adapted to the KPU's financial guidelines (offered at cost of 30 million rupiah, including training). All of the presidential/vice-presidential candidate teams called or met with IAI to seek information. IAI provided lists of auditors who attended IAI workshops to political parties, electoral participants, and the KPU.

STATUS OF COMPLIANCE WITH REPORTING OBLIGATIONS

The following status report on the extent and nature of compliance by political parties and electoral participants with reporting obligations under Indonesia's political laws is based upon inquiries conducted by IFES personnel, supplemented by news reports, as of late October 2004. This review does not address the completeness or accuracy of financial reports that were submitted.

Law No. 31 of 2002 on Political Parties

Annual Financial Reports of Political Parties

Only nine of the fifty political parties registered with the Ministry of Justice submitted an annual financial report for 2003 to the KPU. Five of the ten political parties that received the most seats in national DPR failed to submit the annual financial report (see: **CHART**).

- Only one of the nine parties that submitted an annual financial report did so by the 7 July deadline (PAN).
- No political party that was registered with the Ministry of Justice, but had not qualified to compete in April legislative elections, submitted an annual financial report.
- Scope of report and auditing issues:
 - ⇒ One of the nine annual financial reports was submitted without having been audited by a registered public accountant.
 - ⇒ Four of the nine parties that submitted an annual financial report did not consolidate financial reporting from provincial party committees.

- ⇒ Five of the nine parties that submitted an annual financial report had hired an accountant that had attended the accounting workshop held by the IAI and KPU.
- ⇒ Two political parties submitted annual financial reports covering both 2002 and 2003.

Balanced Financial Statements for Special Election Campaign Fund Account

No political parties submitted the financial statements for campaign funds required by Article 9(j) of the political party law, which were due 4 October. This requirement presumably applies only to political parties that were qualified to compete as electoral participants in the legislative elections, not to all fifty parties registered with the Ministry of Justice.⁵

All political parties appeared to consider this requirement as superseded by the financial reporting obligations for campaign funds under the legislative election law subsequently approved by DPR in 2003. The KPU appeared to take the same view, and did not issue any request or instruction to political parties regarding this reporting obligation under the political party law.

Law No. 12 of 2003 on General Elections

Financial Reports of Campaign Funds – April Legislative Elections – DPR/DPRD

Only 13 of 24 political parties competing in April's legislative elections (parties qualified to nominate candidates for DPR/DPRD) submitted audited reports of campaign funds to the KPU. Six of 16 political parties winning at least one seat in national DPR failed to submit the financial report on campaign funds to the KPU, including two political parties of the ten parties that received the most seats in national DPR (see: **CHART**).

- Only four political parties (Golkar, PAN, PSI and PKPB) of the 13 parties that submitted the financial report on campaign funds did so by the deadline under the law, 12 July, 97 days after the 5 April election (the KPU later extended the deadline to 27 July).⁶
- Only one audit report for a campaign fund report of a political party (from PPIB) appeared to be conducted explicitly in accordance with the agreed procedures and checklist developed by IAI and mandated by KPU decrees.

⇒ All other audit reports of parties' campaign fund reports appeared to apply general accounting principles and ignored the format of the agreed procedures of KPU decrees (even though the auditors usually acknowledged the relevance of the decrees in their cover letters).

⁵ Political parties and coalitions of political parties were not themselves electoral participants in presidential elections but, if qualified, could nominate presidential/vice-presidential tickets ('candidate pairs'). See: *Article 1(6) and Article 101 of Law No. 23 of 2003 on Presidential Elections*.

⁶ It is unknown whether political parties followed the precise schedule under the legislative election law for submitting campaign fund reports to accountants for audit within sixty days of voting day and completing of the audit within 30 days thereafter.

**SUMMARY OF
FINANCIAL REPORTS OF TOP TEN POLITICAL PARTIES**

No.	Name of Party	Annual Financial Report		Campaign Fund Report	
		Submission Date* (2004)	Balanced Amount as per 31 December 2003	Submission Date* (2004)	Amount of Campaign Expenditures (IDR)
1	Golkar Party	8 July	23,677,408,139	12 July	108,282,199,668
2	Indonesian Democratic Party of Struggle (PDIP)			28 July	108,272,311,826
3	National Awakening Party (PKB)			27 July	8,082,086,962
4	United Development Party (PPP)				
5	Democrat Party	29 July	4,026,038,762	7 June	8,952,830,645
6	Prosperous Justice Party (PKS)	17 July	7,426,250,525	17 July	29,359,216,559.35
7	National Mandate Party (PAN)	7 July	16,953,816,379.57	7 July	25,749,513,635.41
8	Crescent Star Party (PBB)				
9	Reform Star Party (PBR)			21 July	1,481,274,022
10	Prosperous Peace Party (PDS)	31 August	935,483,004	7 Sept	11,165,791,997

* Submission date is based on the incoming letter data related to both financial reports in the log book of KPU

Financial Reports of Campaign Funds – April Legislative Elections – DPD

Article 79 of the legislative election law requires all electoral participants, which includes DPD candidates, to submit financial reports of campaign funds to the KPU. Application of this requirement to DPD candidates is specifically noted in implementing regulations by *Article 1(5)* and *Article 10 (2&3)* of *KPU Decree 676 of 2003* and by *Article 3* of *KPU Decree No. 30 of 2004*. (See: **OVERVIEW, ATTACHMENT ONE**.)

More than 900 candidates qualified to compete for 128 DPD seats (four per province) in April legislative elections. However, only one DPD candidate in all of Indonesia, from Banten, had submitted an audited financial report of campaign funds to national KPU at the time of IFES' inquiries.⁷

However, a misunderstanding seems to have widely developed that DPD candidates were supposed to file financial reports on campaign funds to their respective KPU-Province (this notion was evident from IFES field work earlier in 2004 as well as post-election inquiries). This misunderstanding may have resulted because of the responsibility of KPU-Province to oversee the campaigns of DPD candidates. But any shift in campaign fund disclosure responsibilities was not endorsed or acknowledged by national KPU.

In October and November 2004, IFES attempted to contact KPU-Province in each of Indonesia's 32 provinces, and received the following information⁸:

- Eighteen provinces reported that no DPD candidates had submitted campaign fund reports to KPU-Province.
- Two provinces reported that all four successful DPD candidates had submitted campaign fund reports to KPU-Province; six provinces reported that between one and three DPD candidates had submitted campaign fund reports to KPU-Province (19 candidates in total).⁹
 - ⇒ Apparently in no case did an unsuccessful candidate for DPD submit a campaign fund report to KPU-Province.
- Only three campaign fund reports of DPD candidates submitted to KPU-Province were confirmed as audited.

Many KPU-Province members with whom IFES spoke understood, correctly, that it was not their responsibility to receive or disclose campaign fund reports of DPD candidates. Three provinces said they had forwarded campaign fund reports of DPD candidates to national KPU, although the KPU did not appear to have them; the KPU-Province in Banten was apparently unaware a DPD candidate from that province had submitted a campaign fund report to the KPU.

⁷ This candidate, K.H. Thoyib Amir L.C., was successful in becoming elected to DPD. His campaign fund report indicated his election campaign was entirely self-financed.

⁸ Six KPU-Province did not answer the telephone at their office.

⁹ DKI Jakarta reported receiving campaign fund reports from only two DPD members.

Reports of ‘Large Contributions’ to Campaign Funds

Apparently only nine of the 24 political parties competing in the April legislative election submitted reports of contributions exceeding five million rupiah (pursuant to *Article 78*). All nine of these parties submitted campaign fund reports (pursuant to *Article 79*); most of the contribution reports were submitted simultaneously with the campaign fund report (one contribution report was submitted separately [from PDI-P]; a few were submitted by parties with their annual financial statement).

IFES is unaware of any KPU-Province or KPU-Regency/City receiving or publicizing contribution reports from electoral participants pursuant to *Article 78*.

Law No. 23 of 2003 on Presidential Elections

All ‘candidate pairs’ (five in the first round of presidential elections, two in the second round) submitted their campaign fund reports to the KPU within the deadline of three days after voting day, pursuant to *Article 44*.¹⁰ However, no ‘candidate pairs’ in either round submitted pre-campaign or post-campaign contribution reports pursuant to *Article 43*; all ‘candidate pairs’ included reports of contributions with their campaign fund reports.

For both rounds, pursuant to *Article 44*, the KPU submitted the campaign fund reports of ‘candidate pairs’ to public accountants for audit within two days after receiving them, and audits were completed within fifteen days and the results of the audits publicly announced by the KPU within three days. The audit reports contained numerous findings of technical errors and discrepancies in accounting practices and reporting of donors, but no serious problems that undermined the fundamental legitimacy of the campaign fund reports.

First Round (July)

On 5 August, the KPU announced that findings from the five public accountants that conducted audits of the campaign funds of Presidential/Vice-Presidential ‘candidate pairs’ were performed according to the agreed upon procedures and were “satisfactory” [*Jakarta Post* 6/8]. The KPU noted that the presidential campaign funds had forfeited all prohibited funds (including from donors whose identity was not disclosed) to the state treasury, so that “no further legal measures should be taken”. However, the Indonesian Accountants Association observed that three of the five public accounting offices appointed by the KPU to audit presidential campaign funds were not well-qualified and had not undergone training to conduct such audits.

Second Round (September)

In a manner similar to the first round, the KPU announced that the results of the audits for the campaign fund reports of second round ‘candidate pairs’ indicated the reports were

¹⁰ Because of the timing of reporting obligations under the presidential election law, described above, the financial reports of the campaign funds of the five presidential/vice-presidential ‘candidate pairs’ in the first round were submitted, audited and publicized during the midst of the two-round presidential election campaign. Thus, these reports of ‘candidate pairs’ in the first round received far more public attention than reports of the campaign funds of electoral participants in the April legislative elections, also due in July. Even less attention was paid to the annual financial reports of political parties due a few days earlier.

well presented and without serious problems, and the ‘cand date pairs had fulfilled their reporting obligations under the presidential election law [*Kompas* 25/10]. The KPU noted that the Election Supervisory Committee (*Panwas*) was not recommending any criminal actions be pursued against the ‘candidate pairs’ regarding their campaign fund reports.

The Megawati Soekarnoputri / Hasyim Muzadi pair reported as follows:

- Income: Rp. 17,655,106,060
⇒ Contributions exceeding Rp. 5,000,000: Rp. 17,647,908,686
- Expenditures: Rp. 17, 650,797,907

The Susilo Bambang Yudhoyono / Jusuf Kalla pair reported as follows:

- Income: Rp. 40,817,354,614
⇒ Contributions exceeding Rp. 5,000,000: Rp. 35,326,138,000
- Expenditures: Rp. 40,794,837,190

RECOMMENDATIONS

Legal Framework

Laws on political parties and on elections, and implementing regulations of the KPU, should be reviewed and revised, taking into account these considerations:

1. Provisions in all political laws relating to political finance regulation, contribution limitations, reporting, public disclosure, and enforcement mechanisms should be made consistent and synchronized.
2. Administrative sanctions for violations of financial reporting obligations should be expanded beyond mere ‘public reprimand’. Sanctions should be imposed for particular offenses relating to financial record-keeping and reporting, including:
 - Late filing of financial reports;
 - Failure to file reports;
 - Submitting false or incomplete information in reports;
 - Inadequate record-keeping or failure to maintain supporting documentation;
 - Failure by national political parties to provide or collect information from regional party committees or from DPR/DPRD candidates to facilitate consolidated financial records;
 - Failure to conduct a professional and accurate audit of financial records (if responsibility to conduct audit remains with political parties and/or electoral participants rather than under the control of the KPU);
 - Obstruction or lack of cooperation by officials of political parties and/or electoral participants with financial audits or official investigations;
 - Conducting political party or campaign activity with funds outside of the account for which official financial reports have been submitted.

Sanctions for such offenses should be reasonable and proportionate to the seriousness of the offenses, and should include both monetary fines and political penalties (such as forfeiture of the right of a political party to compete in the next elections).

3. Further attention should be given to the role of election commissions below the level of national KPU in receiving and publicizing political finance reports. As noted above, the legislative election law explicitly provided for KPU-Province and KPU-Regency /City to receive and publicize reports of contributions exceeding five million rupiah (presumably if made to DPRD candidates and/or local political party committees), but these obligations were apparently ignored. Also noted above, a misunderstanding widely developed that DPD candidates were obligated to submit financial reports to their respective KPU-Province – a requirement that could be formalized and properly implemented.
4. Responsibilities and legal duties of Treasurers and other political party officers or campaign officials regarding financial administration, record-keeping, and financial reporting should be more clearly specified (and supported by appropriate penalties for ‘non-compliance’).
5. The function of auditors and the content of financial reports to be submitted to the KPU (or other election commission level) should be clarified to prevent audits from serving as a filtering and obscuring mechanism rather than a positive influence upon political finance disclosure. Application of the model of the presidential law, in which financial reports are submitted to the KPU and the KPU is responsible for hiring auditors, should be considered for all forms of political finance reporting.
6. Campaign finance rules should more clearly define what types of activities are permitted or not permitted inside and outside of the official campaign period, and should make clear all campaigning activity is subject to legal regulation and financial reporting. To protect freedom of speech, and to avoid the distraction of petty ‘campaigning violations’, policy-makers should consider:
 - Continuing timing limitations upon major public activities and spending (e.g., public advertising in paid media and mass rallies) during the official campaign period; but
 - Relaxing timing limitations upon more limited or personal forms of voter contact (such as distribution of literature, small group meetings, and candidate door-to-door) to permit such activity outside official campaign period.
7. Campaign finance rules should specify that all contributions given to candidates for DPR/DPRD are considered contributions to the political party that nominated such candidates. Contributions given to DPR/DPRD candidates should be subject to the same prohibitions, limitations and – importantly – reporting requirements as specified under the election law for contributions given to electoral participants.
8. Election laws should make clear the purpose and scope of provisions in election laws that impose special reporting obligations upon electoral participants for contributions that exceed a threshold amount (i.e., five million rupiah). These reporting obligations should be both distinguished from and integrated with other reporting obligations regarding all receipts and expenditures of campaign funds.
9. Political laws should be strengthened to ensure that individual persons or legal entities are correctly identified as contributors on political finance reports, by specifically prohibiting such persons or entities from:

- Receiving advance payments or reimbursements for such contributions from other persons or entities; or
- Acting as an intermediary for a donor whose identity is not disclosed.

Civil Society and Civic Education

10. The KPU should be applauded for its cooperation with the Indonesian Accountants Association, and should conduct a comprehensive review of political finance reporting and auditing with continued IAI assistance.
11. Greater emphasis and enhanced resources should be devoted to providing facilities at the KPU for public examination and photocopying of political finance reports of political parties and electoral participants.
12. Indonesian non-governmental organizations, such as Transparency International – Indonesia and Indonesia Corruption Watch, should continue their excellent research, analysis and socialization regarding issues of political finance regulation and disclosure. The NGO community should focus upon encouraging complete, timely and accurate financial reporting by political parties and electoral participants.
13. Civic education programs should be conducted to inform the general public about rules regarding political finance and giving of contributions, and about criminal and administrative sanctions for violating political funding rules.

OVERVIEW OF RELEVANT POLITICAL LAWS AND KPU DECREES

Law No. 31 of 2002 on Political Parties

Chapter V (Functions, Rights, and Obligations), Article 9 states political parties' financial reporting obligations, which include to –

- h. Conduct bookkeeping and maintain a list of donors and a total of donations received, which shall be open for examination by society and the Government;
- i. Prepare a periodic financial statement annually and submit it to the General Elections Commission following an audit by a public accountant; and
- j. Maintain a Special Election Campaign Fund Account and submit a balanced financial statement audited by a public accountant to the General Elections Commission by no later than 6 (six) months following Election Day.

Explanation is added in the *Elucidation* for *Article 9(j)*¹¹ –

A special election campaign fund account is a special account opened for the purpose of holding election campaign funds, which shall be separate from other necessary accounts.

Chapter IX (Finances), Article 18 (1&2) provides that contributions to political parties from individuals may not exceed two hundred million rupiah in a one year period and that contributions from corporations or business entities may not exceed eight hundred million rupiah in a one year period.

Chapter XII (Oversight), Article 23 describes duties of oversight regarding political party regulation, including to –

- e. Request the result of the annual financial audit report and the result of the financial audit report of general election campaign finances under *Article 9(h),(i),(j)*, above; and

Chapter XII (Oversight), Article 24(1)(b) identifies the General Elections Commission (KPU) as having responsibility for oversight of financial reporting and audits under *Article 23(e)*.¹² *Chapter XIII (Sanctions), Article 26* stipulates administrative penalties:

- (2) Violation of the provisions under *Article 9(h)*, above, shall be subject to administrative sanction in the form of a public reprimand by the General Elections Commission.
- (3) Violation of the provisions under *Article 9(i)* and *9(j)*, above, shall be subject to administrative sanction in the form of withdrawal of assistance from the state budget.

¹¹ *Article 17* includes “assistance from the state budget” as a permissible source of funding for political parties. The *Elucidation* for *Article 9(h)* states: “The use of assistance funds from the state budget to a political party is reported every year to the Government, defined here as the Ministry of Home Affairs, and audited by the State Audit Board (BPK).”

¹² *Article 24(1)(c)* places responsibility with the Ministry of Home Affairs for conducting investigations of violations related to prohibitions upon political party funding (an oversight duty under *Article 23(f)*, regarding prohibitions under *Article 19*). *Article 27* stipulates administrative penalties for violations of *Article 19*'s provisions.

Article 28 stipulates criminal penalties for making or receiving contributions to political parties in violation of limitations and prohibitions under *Articles 18 & 19*, but does not provide any criminal penalties for violating parties' financial reporting requirements.

Law No. 12 of 2003 on General Elections

Chapter I (General Provisions), Article 5 identifies electoral participants in the general election as individual persons for DPD and political parties for DPR, DPRD-Province, and DPRD-Regency/City.

Chapter VIII (Campaigns), Part 2 (Campaign Funds), Article 78(2) provides that contributions to a campaign fund from individuals shall not exceed one hundred million rupiah and from private entities shall not exceed seven hundred and fifty million rupiah.

Article 78 also contains a requirement for electoral participants to report large contributions to election commissions at three levels, which suggests a separate and ongoing obligation during or around the campaign period¹³ –

- (4) Contributions of more than Rp. 5,000,000 (five million rupiah) made to any electoral participants must be reported to the KPU, Provincial KPU, Regency/City KPU stating the form and amount of the contribution and the full identity of the contributor.
- (5) The KPU, Provincial KPU, Regency/City KPU shall publicize the contributions report referred to in paragraph (4) to the public through the mass media.

Chapter VIII (Campaigns), Part 2 (Campaign Funds), Article 79 requires electoral participants to submit audited reports of campaign funds to the KPU –

- (1) All electoral participants' campaign fund reports, whether of income or expenditures, must be submitted to a registered public accountant no later than 60 (sixty) days following voting day.
- (2) The registered public accountant must complete an audit no later than 30 (thirty) days after acceptance of the reports as referred to in paragraph (1).
- (3) The result of the audit as referred to in paragraph (2) must be submitted to the KPU and electoral participants no later than 7 (seven) days after the completion of the audit.

Explanation added in the *Elucidation* for *Article 79(1)*: “Standardization of the audit is determined further by the KPU in accordance with Indonesian Accounting Standards.”

Chapter XIV, (Supervision, Legal Enforcement and Election Monitoring), Part 1 (Supervision), Articles 120 & 121 establish Election Supervisory Committees (known as PANWAS) at national, provincial, kabupaten/kota and kecamatan levels. Pursuant to *Article 122(1)*, PANWAS duties and authority includes “to supervise all election implementation stages” and “to accept reports pertaining to violations of election laws”. *Part 2 (Law Enforcement) – Complaint Adjudication and Dispute Resolution, Article 130* provides: “Election supervisors shall forward finding of administrative violations to the KPU and of criminal violations to investigators [police and prosecutors].”

¹³ As described below, a similar provision in the Law on Presidential Elections specifies deadlines for these reports immediately before and after the official campaign period.

Chapter XV (Criminal Provisions), Article 138 stipulates criminal penalties for campaign finance related violations. Paragraphs (5) & (6) provide sanctions for making or receiving contributions to electoral participants that violate limitations and prohibitions. Additionally –

- (7) Any person who intentionally gives false information in the Election Campaign Fund Report as obliged by this law, shall be punishable by imprisonment of minimum 2 (two) months or maximum 12 (twelve) months and/or fine of minimum Rp. 1,000,000 (one million rupiah) or maximum Rp. 10,000,000 (ten million rupiah).

Law No. 23 of 2003 on Presidential Elections

Chapter I (General Provisions), Article 1((6) specifies that electoral participants for President and Vice-President are ‘Candidate Pairs’ nominated by qualified political parties or coalitions of political parties.

Chapter VII (Campaign and Campaign Funds), Part Two (Campaign Funds), Article 43(2) states: “Candidate Pairs must have a special campaign fund account and this account shall be registered with the KPU.”¹⁴

Article 43(3) provides that contributions to a campaign fund from individuals shall not exceed one hundred million rupiah and from private entities shall not exceed seven hundred and fifty million rupiah.

Article 43 also requires Candidate Pairs to report large contributions to the KPU. This provision is similar to the requirement in the Law on General Elections, but adds specificity regarding timing of the reports (oddly, unlike the prior law, this section also references the general contribution limitation provision in paragraph 3) –

- (5) Contributions to a Candidate Pair of more than Rp. 5,000,000 (five million rupiah) both in money or in non-monetary form that can be converted into monetary value, must be reported to the KPU stating the amount of the contribution and the identity of the contributor.
- (6) A report on campaign fund contributions as referred to in paragraph (3) and paragraph (5) shall be submitted by a Candidate Pair to the KPU one day prior to the commencement of the campaign period and one day after the end of the campaign period.
- (7) The KPU shall publicize the contribution report of each Candidate Pair as referred to in paragraph (6) through the media on (1) day after receiving the report from a Candidate Pair.

Chapter VII (Campaign and Campaign Funds), Part Two (Campaign Funds), Article 44 stipulates the general financial reporting obligation –

- (1) Campaign funds can only be used by the Candidate Pair, and are technically managed by its Campaign Team.

¹⁴ The Elucidation for this provision states: “Special accounts shall be opened using the names of the Candidate Pairs and the names of the Campaign Teams, from the time the Candidate Pairs are determined by the KPU and shall be closed on the day after the campaign period is over. Campaign fund revenue can only be deposited in the special account on behalf of Candidate Pairs, and can be used through the account of the Campaign Team.”

- (2) Campaign funds as referred to in paragraph (1) must be reported by a Candidate Pair to the KPU, no later than 3 (three) days after voting day.
- (3) The KPU must submit the campaign funds report as referred to in paragraph (2) to a public accountant, no later than 2 (two) days after the KPU receives the campaign fund report from a Candidate Pair.
- (4) The public accountant must conclude the audit no later than 15 (fifteen) days after the campaign fund report is received from the KPU.
- (5) The result of the audit, as referred to in paragraph (4), shall be publicly announced by the KPU no later than 3 (three) days after KPU receives the audit report from the public accountant.
- (6) The campaign fund report received by the KPU shall be maintained so it is open to the public.¹⁵

Paragraph 8 of *Article 89* (in *Chapter XII [Criminal Provisions]*) of the presidential election law provides criminal sanctions for giving false information in campaign fund reports, and is identical to *Article 138(7)* in the legislative election law (see: above).

Implementing Regulations: KPU Decree No. 676 of 2003

On 3 December, 2003, the KPU enacted KPU Decree No. 676 of 2003 on ‘Financial Administration Procedure and Financial Accounting System of Political Parties, and Campaign Fund Reporting for Electoral Participants’. The decree covers **financial reporting obligations** under the political party law, the law on legislative elections, and the law on presidential elections.

Chapter I (General Provisions), Article 1 describes the types of financial reports, and states a requirement that annual financial reports of political parties be consolidated from lower levels of party organization:

- 6) The Annual Political Party Report is the financial report prepared by the national level leaders of political parties by consolidating the annual financial reports of provincial administrator of political party, which covers the period of January 1 to December 31.
- 7) The Annual Financial Report at Provincial level includes recording of all financial transactions of the political party in the regions, to the lowest level.

Article 4 specifies the person responsible for the implementation of financial administration arrangements, the financial accounting system and campaign fund reporting in political parties as the General Chairperson, or one of the chairpersons appointed as responsible, and the Treasurer of that political party.

Chapter II (Financial Administration Arrangements and Political Party Financial Accounting System) provides the specific reporting obligations of a political party in preparing its annual financial reports.

Article 6(2) states that the requirement for a political party to prepare an annual financial report commences at the time when it is established as a legal entity by the Minister of Justice and Human Rights.

¹⁵ The Elucidation for paragraph 6 states: “Campaign fund report means report of campaign fund before or after being audited. Maintained means being held in the state archives.

Article 7 requires political parties to submit their annual financial reports to the KPU:

- 1) An annual financial report must be submitted to a public accountant no later than 3 (three) months after the end of the relevant fiscal year
- 2) The public accountant must finish the audit no later than 3 (three) months after the receipt of the report as referred to in paragraph (1)
- 3) A political party shall submit the audited annual financial report as referred to in paragraph (2) to the KPU no later than 7 (seven) days after receipt of the audit report from the public accountant
- 4) The public accountant must explain the results of the audit to KPU

Chapter III (Financial Administration Arrangements and Electoral Participant Campaign Fund Reporting) provides the specific reporting obligations of electoral participants in preparing their campaign fund reports.

Article 8(2) requires an electoral participant to set up a special campaign fund account for the purpose of preparing his campaign fund report, and *Article 8(3)* specifies that the account should be registered with the KPU no later than 7 (seven) days after the date of an electoral participant's determination by the KPU.

Article 9(1) states that the campaign fund report covers the period of preparation, implementation and conclusion of campaign activities for the general election of participants, starting from the affirmation of the candidates as electoral participants by the National Election Commission until 2 (two) days before voting day

Items to be contained in campaign fund reports are described in *Article 10 & Article 11*:

- *Article 10(1)* requires the report on the opening of a special campaign fund account to include an explanation of:
 - a. The sources of income shown in the opening balance;
 - b. The accounting detail of earlier revenue and expenditure, if the opening balance is a balance from revenues for the campaign obtained prior to the opening of the special campaign fund account.
- *Article 11(1)* requires electoral participants to record every activity of their campaign, both those conducted by the participants themselves as well as those conducted by other parties. *Article 11(2)* specifies that this includes information on the form of the campaign, place and date of commencement and the amount of commencement expenditure accompanied by evidence of accounts.

Article 11(3), Article 13(2) & Article 14(1) describe items which should be regarded as campaign contributions in the report, for which limitations and restrictions are covered by the respective election laws. These items include:

- ✓ The implementation and funding of a campaign by a third party;
- ✓ Purchase discount exceeding a proper and generally applicable sale limit;
- ✓ Debts or loans of electoral participants which have resulted from the use of cash or non-cash items/services from another party.

Article 12 & Article 14(2) provide guidelines on the valuation and reporting of contributions:

- *Article 12* requires every political party and electoral participant to determine a policy on valuing non-cash contributions, based on proper market price at the time that contribution is received, using an accountable appraisal method, which are:
 - a. Tax deductible market price for land and property
 - b. Insurance company estimation value for vehicles
 - c. Proof of purchase (invoice, receipt etc) which describes the correct price at the time of receipt of the contribution
 - d. Facility rental fee applicable at the time of receipt of contribution
 - e. Price determined by an independent appraiser
 - f. Another accountable and generally applicable appraisal method.

- *Article 14(2)* requires electoral participants to report to KPU the amount and identity of the creditor when documenting campaign contributions in the form of loans.

In *Chapter V (Closing Provisions)*, *Article 17* describes the minimum standards and/or guidelines that must be applied by each political party and electoral participants in preparing their financial reports. As attached to the decree, they consist of:

- a. Directive on Implementing Financial Administrative Arrangements for Political Parties and Electoral Participants;
- b. Guidelines on Political Party Financial Accounting System;
- c. Guidelines on Electoral Participant Campaign Fund Reporting.

Implementing Regulations: KPU Decree No. 30 of 2004

On 21 April, 2004, the KPU enacted KPU Decree No. 30 of 2004 on 'Guidance for the Audit of Financial Reports of Political Parties and the Audit of Campaign Fund Reports of General Election Contestants'. The decree provides guidance for the **auditing of financial reports** required under the political party law, the law on legislative elections, and the law on presidential elections.

Chapter 1 (General Provisions), *Article 1* distinguishes auditing standards for the annual financial reports of political parties and campaign fund reports of election participants:

- 5) Audit by a public accountant of the annual financial report of political parties is a general audit to give the accountant's opinion on the appropriateness of the annual financial report of political parties.
 - 6) Audit by a public accountant of the campaign fund report of general election participants is an audit based on agreed upon procedures.
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- The decree is further organized as follows:
 - *Chapter II (Audit of Financial Report of Political Parties) [Article 2];*
 - *Chapter III (Audit Reports on Campaign Fund of Political Parties and Candidates for Membership of Regional Representatives Council) [Article 3];*
 - *Chapter IV (Audit of Campaign Fund Report of Pairs of Candidates for President and Vice-President) [Article 4].*

- Each of the three substantive chapters includes restatement of time frames for submitting the financial reports to audit and/or to KPU under the respective election laws and/or *Article 7 of KPU Decree No. 676* (see: above).
- *Articles 2(2) & 3(2)* require that financial reports of political parties / electoral participants be submitted for audit – and *Article 4(3)* requires KPU to submit financial reports of a campaign fund of presidential/vice-presidential candidate pairs for audit – “to a public accountant’s office that has obtained permits from the Department of Finance and is not affiliated with any political party”.
- *Article 2(5)* requires public accountants, in performing audits of political parties’ annual financial reports, to follow “the principles in the Audit Guidance on Financial Reports of Political Parties, as specified by the Indonesian Accountants Association”. *Articles 3(5) & 4(6)* require public accountants, in performing audits of financial reports of campaign funds of electoral participants, to follow the principles of:
 - a. Agreed procedures, as specified by the General Elections Commission; and
 - b. Guidance for Audit Reports on campaign funds of General Election Participants, as specified by the Indonesian Accountants Association.
- As *Chapter V (Closing Provisions)*, *Article 5(2)* notes, the ‘agreed procedures’ are attached to KPU Decree No. 30. These procedures number 35 pages in English translation, and provide step-by-step instructions for auditors, as well as definitions of key terms. (See: Attachment to KPU Decree No. 30 of 2004, available at www.ifes.org/reg_activities/indonesia_decree.html.)

SCHEDULE OF FINANCIAL REPORTING, AUDITING AND DISCLOSURE

Based upon IFES' review of timelines in the relevant provisions of the political laws and KPU decrees, a consolidated schedule of financial reporting, auditing and public disclosure requirements for political parties and electoral participants for 2004 would appear as follows (all dates are based on 'no later than' provisions):

31 March	Annual financial reports must be submitted by all registered political parties to public accountants for audit
31 May	Pre-election reports of contributions must be submitted to KPU by Presidential / Vice-presidential 'candidate pairs' [first round]
4 June	Campaign fund reports of electoral participants in April election (qualified political parties and DPD candidates) must be submitted to public accountants for audit
30 June	Accountants must complete audits of political parties' annual financial reports
2 July	Post-election reports of contributions must be submitted to KPU by Presidential/Vice-presidential 'candidate pairs' [first round]
4 July	Accountants must complete audits of campaign fund reports of electoral participants in April election
7 July	Audited annual financial reports must be submitted to KPU by all registered political parties
8 July	Campaign fund reports must be submitted to KPU by Presidential / Vice-presidential 'candidate pairs' [first round]
10 July	KPU must submit campaign fund reports of Presidential/Vice-presidential 'candidate pairs' [first round] to public accountant for audit
12 July	Result of audit of campaign fund reports must be submitted to KPU by electoral participants in April election (11 July was Sunday)
14 July	Presidential/Vice-presidential 'candidate pairs' must report receipt of prohibited funds to KPU.
25 July	Public accountants must complete audits of campaign fund reports of Presidential/Vice-presidential 'candidate pairs' [first round]
28 July	KPU shall publicly announce results of audits of Presidential/Vice-presidential 'candidate pairs' [first round]

13 September	Pre-election reports of contributions must be submitted to KPU by Presidential / Vice-presidential ‘candidate pairs’ [second round]
17 September	Post-election reports of contributions must be submitted to KPU by Presidential / Vice-presidential ‘candidate pairs’ [second round]
23 September	Campaign fund reports must be submitted to KPU by Presidential / Vice-presidential ‘candidate pairs’ [second round]
25 September	KPU must submit campaign fund reports of Presidential/Vice-presidential ‘candidate pairs’ [second round] to public accountant for audit
5 October	Audited financial statement about Special Election Campaign Fund Account must be submitted to KPU by political parties participating in April elections [pursuant to political party law]
10 October	Public accountants must complete audits of campaign fund reports of Presidential/Vice-presidential ‘candidate pairs’ [second round]
13 October	KPU shall publicly announce results of audits of Presidential/Vice-presidential ‘candidate pairs’ [second round]
31 December	End of fiscal year for annual financial reports of political parties

The confluence in July 2004 of financial reporting obligations and deadlines under the political laws did not appear to be intended, but instead resulted from separate consideration and approval of these laws by the People’s Representative Assembly (DPR). Provisions related to political finance regulation evolved and, in fact, somewhat improved from approval of the political party law in December 2002, to the general election law in February 2003, to the presidential election law in July 2003. But these various provisions did not appear to be coordinated as to substance or timing of disclosure requirements; e.g., the political party law and general elections law provided two different schedules for reporting of ‘campaign funds’. Ultimately, as this report notes, the reporting obligation under the political party law was simply ignored.