ASSET INSPECTION FOR PROJECT INTEGRITY

A REFERENCE GUIDE FOR EXECUTING
AND/OR IMPLEMENTING AGENCIES

July 2018

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Notes:

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All photos are from ADB unless otherwise stated.
Cover photo: A construction worker wears his personal protective equipment on-site, in Jaipur, India.

Goods Delivery Verification. Two warehouse personnel on standby for delivered goods, in Jaipur, India.

*This guide provides a practical framework
for asset inspection in ADB-financed projects.*

*It helps to identify integrity risks and verify
that project funds are used for
their intended purposes and beneficiaries.*

Incoming Goods Inspection. Project Management Unit (PMU) staff check imported project goods, in Erenhot, Inner Mongolia Autonomous Region, People's Republic of China.

Contents

Types of Inspected Project Outputs	1
Inspecting Works	2
Inspecting Goods	8
Works Inspection Checklist	13
Goods Inspection Checklist	17
Notes	20

Good Quality Project Output. The Yangpu Bridge, a project output of a civil works contract, in Shanghai, People's Republic of China.

Types of Inspected Project Outputs

Works

Outputs from civil works contracts

Examples:

- Roads
- Bridges
- Power plant facilities
- Buildings
- Railways

Goods

Assets procured under the project

Examples:

- Equipment
- Vehicles
- Computers
- Books
- Furniture

Inventory Check. PMU staff inspect delivered goods in a provincial hospital, in Zuunmod Soum, Tuv Aimag, Mongolia.

Inspecting Works

Preparation

1. Review civil works contracts and prioritize contracts with the following concerns:

- remote project sites,
- delayed physical and/or financial progress,
- complaints from beneficiaries,

Inspections of Goods. PMU staff verify the specifications of delivered goods, in Sumber Soum, Govisumber Aimag, Mongolia.

- undisclosed subcontractors, and
- contracts with significant deviations from the engineer's estimate.

2. Review key contract terms and conditions, contract variations, or amendments. Understand expected requirements, including the following:

- contract implementation period;
- required deliverables and outputs with corresponding contract specifications;
- updated detailed design (e.g., cross-section drawings);
- dimension, quantities, and reference material standards, and other details specified in bill of quantities (BOQ);

- ready-made materials in BOQ;
- interim target date of completion for each project section;
- warranty coverage, delayed damages, penalty, and defect liability period; and
- price escalation clause.

3. Review progress reports. Seek clarification on unusual or unexplained issues such as

- unjustified project delays, and
- unauthorized changes on material specifications.

Inspection

1. Pre-Inspection Stage

- Discuss implementation progress with the supervision consultant and contractors.
- Review advance security, performance guarantee, and contract warranty.

What to look out for:

- Significant delays on (planned vs. reported) physical and/or financial progress,
- Inconsistent and delayed progress reporting, and
- Absence of any necessary warranty certificates.

Site Inspection. PMU staff compare a detailed engineering design against actual civil works output, in Fujian Province, People's Republic of China.

2. Inspection Stage

- Verify receiving process to confirm quantity of delivered construction materials:
 - ✓ Identify who is responsible for receiving construction materials.
 - ✓ Check existence of necessary receiving documents (e.g., warranties, import invoices, or quality test reports).
 - ✓ Conduct inventory check of construction materials received.
- Verify acceptance process to ensure quality of construction materials:
 - ✓ Identify qualified person to validate and accept construction materials.

- ✓ Check specifications of received construction materials required in BOQ.
- ✓ Validate quality of construction materials as per quality test reports.
- Inspect warehouse or storage area, including stored equipment, required labor, and subcontractors.
- Inspect completed and ongoing works: compare with updated detailed engineering design.
- Observe overall safety practice and adequacy of construction supervision.
- Assess progress report: compare reported progress vs. actual physical progress.
- Check the calibration of laboratory equipment.
- Review work progress certifications.
- Interview beneficiaries to identify lapses in project deliverables.

What to look out for:

- Omitted works, reduced BoQ, or off-specifications outputs,
- Completed works with concealed defects and use of low-quality materials, and
- Unreasonable contract variations justification endorsed by the supervision consultant.

Ocular Inspection. PMU staff visually inspect on-site the metal used in civil works, in Nurek, Tajikistan.

3. Discussion and Reporting Stage

- Document and discuss concerns or observations with contractors and the supervision consultant. Prepare proposed action plan and recommendations.
- Discuss and resolve concerns with the ADB project officer.
- Forward concerns that are potential integrity violations, if any, to the ADB Office of Anticorruption and Integrity (OAI).

Verification of Goods Label. PMU staff verify the identification of delivered equipment, in Manado, North Sulawesi Province, Indonesia.

Inspecting Goods

Preparation

1. Review goods contracts and prioritize the contracts with the following concerns:

- significant asset value,
- remote delivery location,
- delayed delivery progress,
- specialized vendors, and
- easily movable assets.

Warehouse Security. PMU staff checks an incoming delivery truck in the warehouse area, in Wagah, Pakistan.

2. Review key contract terms and conditions, contract variations, or amendments. Understand expected requirements including the following:

- commencement of contract implementation,
- required deliverables,
- expected date of delivery and installation of goods, and
- warranty coverage period and delayed penalties.

3. Review monitoring reports. Seek clarification on unusual or unexplained issues such as

- nonpayment of delivered goods, and
- missing and/or undelivered goods.

Functionality Test. PMU staff checks the functionality of a substation's equipment, in Narengi, India.

Inspection

1. Pre-Inspection Stage

- Discuss delivery status with the project consultant and suppliers or vendors.
- Review advance security and warranty certificates.

What to look out for:

- Inaccurate status reporting,
- Significant financial progress despite delays in delivery, and
- Absence of any necessary warranty certificates.

2. Inspection Stage

- Verify receiving process to confirm quantity of delivered goods:
 - ✓ Identify who is responsible for receiving goods.
 - ✓ Check existence of necessary receiving documents (e.g., warranties, import invoices, or quality test reports).
 - ✓ Conduct inventory check of received goods.
- Verify acceptance process to ensure functionality of goods:
 - ✓ Identify who is the qualified person to accept goods.
 - ✓ Check specifications of received goods against required deliverables.
 - ✓ Test functionality of received goods.
- Conduct ocular inspection on delivered goods.
- Inspect warehouse or storage area and check asset register.
- Assess monitoring report and review certifications of goods acceptance.
- Interview beneficiaries to confirm usefulness of goods.

What to look out for:

- Acceptance of damaged goods,
- Different model or brand of goods delivered,
- Goods or equipment used for personal purposes,

Functionality Test. PMU staff verifies the functionality of goods delivered on-site, in Manado, North Sulawesi Province, Indonesia.

- Endorsement for full payment of undelivered goods, and
- Approval of unjustified delays on delivery of goods.

3. Discussion and Reporting Stage

- Document and discuss concerns or observations with contractors and the supervision consultant. Prepare proposed action plan and recommendations.
- Discuss and resolve concerns with the ADB project officer.
- Forward concerns that are potential integrity violations, if any, to OAI.

Works Inspection Checklist

1. Discussion with the supervision consultant and contractors

- ☐ a. Review detailed activities related to reported progress.
- ☐ b. Raise concerns or complaints in project implementation.

2. Receiving Process of Delivered Materials

- ☐ a. Confirm if authorized person received construction materials.
- ☐ b. Check existence of necessary receiving documents (e.g., warranties, import invoices, or quality test reports).
- ☐ c. Check inventory of construction materials received.

3. Acceptance Process of Delivered Materials

- ☐ a. Confirm if qualified person validated and accepted construction materials.
- ☐ b. Check specifications of received construction materials required in BOQ.
- ☐ c. Cross-check quality of construction materials vs. quality test reports.

4. Warehouses or Storage Areas

- ☐ a. Confirm presence of security personnel.
- ☐ b. Check the adequacy of warehousing including ventilation.

5. Ocular Inspection of Project Outputs (*take photos as necessary and use geotagging if device is capable*)

- ☐ a. Check if physically present and in proper location (e.g., roads as per contract).
- ☐ b. Take proper measurements of length, thickness, and width, as applicable.

6. Equipment and Labor

- ☐ a. Check availability and confirm correct quantity of equipment per mobilization schedules.
- ☐ b. Check adequacy of required labor.

7. Overall Safety Practice

- ☐ a. Check if safety signage is visible and in an appropriate location.
- ☐ b. Assess appropriate use of personnel safety equipment.

8. Construction Supervision

- ☐ a. Check on-site supervision, especially in critical work phases.
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9. Use of Subcontractors

- ☐ a. Assess appropriateness of scope of work.
- ☐ b. Confirm satisfactory performance, progress of works, and quality control.
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10. Advance Security, Performance Guarantee, and Warranty Certificate (*if any*)

- ☐ a. Authenticate documents.
- ☐ b. Check coverage period.
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11. Progress Report

- ☐ a. Confirm accuracy based on ocular inspection of outputs including identified ready-made materials.
- ☐ b. Confirm action plans taken to address project delays.

12. Certification of Progress of Works

- ☐ a. Review supporting documents.
 - ☐ b. Check appropriateness of the supervision consultant's endorsement.
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13. Interview with Beneficiaries

- ☐ a. Inquire if there are any concerns with ongoing construction and completed works.
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14. Discussion and Reporting

- ☐ a. Document and discuss concerns or observations with contractors and the supervision consultant. Prepare proposed action plan and recommendations.
 - ☐ b. Discuss and resolve concerns with the ADB project officer.
 - ☐ c. Forward concerns that are potential integrity violations, if any, to OAI.
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Goods Inspection Checklist

1. Discussion with Project Consultant and Contractors

- ☐ a. Review detailed activities related to reported progress.
- ☐ b. Raise specific concerns or complaints in project implementation.

2. Receiving Process of Delivered Goods

- ☐ a. Confirm if authorized person received goods.
- ☐ b. Check existence of necessary receiving documents (e.g., warranties, import invoices, or quality test reports).
- ☐ c. Check inventory of goods received.

3. Acceptance Process of Delivered Goods (*take photos as necessary*)

- ☐ a. Confirm if qualified person validated and accepted goods.
- ☐ b. Check specifications of received goods against required deliverables.
- ☐ c. Test functionality of received goods, at random.
- ☐ d. Check suitability of facility.

4. Warehouses or Storage Areas

- ☐ a. Confirm presence of security personnel.
 - ☐ b. Check adequacy of warehousing including ventilation.
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5. Asset Register

- ☐ a. Check if regularly updated (e.g., monthly or quarterly).
 - ☐ b. Check accuracy of
 - purchase and delivery dates,
 - supplier name,
 - brand and model, and
 - status and condition of goods.
 - ☐ c. Check location of goods.
 - ☐ d. Identify if there is an assigned person to safeguard goods.
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6. Advance Security and Warranty Certificates

- ☐ a. Authenticate documents.
 - ☐ b. Check coverage period.
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7. Monitoring Report

- ☐ a. Confirm accuracy based on ocular inspection.
 - ☐ b. Confirm that action was taken to address reported issues.
 - ☐ c. Check appropriateness of the project consultant's endorsement.
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8. Discussion and Reporting

- ☐ a. Document and discuss concerns or observations with contractors and the supervision consultant. Prepare proposed action plan and recommendations.
 - ☐ b. Discuss and resolve concerns with the ADB project officer.
 - ☐ c. Forward concerns that are potential integrity violations, if any, to OAI.
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To report integrity violations, you may contact

Office of Anticorruption and Integrity (OAI)

Asian Development Bank, 6 ADB Avenue
Mandaluyong City, 1550 Metro Manila
Philippines

Tel +63 2 632 4171

Fax +63 2 636 2162

integrity@adb.org, anticorruption@adb.org

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According to *Anticorruption and Integrity* (ADB 2010), integrity violations include the following:

- **Corrupt practice:** the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
- **Fraudulent practice:** any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- **Coercive practice:** impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- **Collusive practice:** an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;
- **Abuse:** theft, waste, or improper use of assets related to ADB-related activity, either committed intentionally or through reckless disregard;
- **Conflict of interest:** any situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations; and
- **Obstructive practice:** including (a) deliberately destroying, falsifying, altering, or concealing of evidence material to an ADB investigation; (b) making false statements to investigators in order to materially impede an ADB investigation; (c) failing to comply with requests to provide information, documents, or records in connection with an OAI investigation; (d) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (e) materially impeding ADB's contractual rights of audit or inspection or access to information.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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