

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Corruption			
Fragmented oversight arrangements for audit, financial management, and procurement	High	Oversight bodies including COA, DBM, DPWH, and a selected civil society organization will sign and implement the provisions of an action-focused interagency agreement on improving the supervision of anticorruption mechanisms and compliance with rules and regulations of the oversight bodies. The agreement will include the conduct of participatory audits, monitoring and implementation of IDR recommendations, and conduct of corresponding training on participatory audits and budget monitoring.	Medium
Strong public perception of DPWH as a corrupt agency	High	Emphasis will be placed on prevention measures and policy dialogue with DPWH as reflected in the Anti-Corruption Action Plan and providing support for strengthening internal and external accountability mechanisms.	Medium
Vulnerability of road subsector to vested interests	High	The DPWH Integrity Development Committee will assist the Office of the Ombudsman with monitoring implementation of the IDR recommendations on a regular basis.	Medium
Public expenditure and financial management			
Budget capture: Transparency and accountability in the sources and utilization of appropriations by Congress and allotment releases from DBM to DPWH	High	<p>DPWH will upload information on all funds allocated to DPWH on the DPWH website including the General Appropriations Act (GAA) allocation, the road-user tax, the Priority Development Assistance Fund, and official development assistance including a breakdown by district, where possible. The information will be posted a month after GAA approval.</p> <p>DPWH will submit a report on the utilization of its budget and funds received from all sources, including the road board, on an annual basis, including a breakdown of spending by districts within 6 months of the end of the fiscal year.</p> <p>DPWH and DBM will facilitate all activities of civil society organizations aimed at conducting a comprehensive analysis of financing sources allocated to DPWH.</p> <p>ADB will support budget monitoring and expenditure tracking by civil society organizations.^a</p>	Low
Weaknesses in internal control	High	<p>DBM and DPWH will provide learning opportunities to civil service organizations and DPWH internal audit staff on a regular basis to strengthen their understanding of financing of road investments and maintenance.</p> <p>DPWH will comply with the required submission of contract documents to COA, and a COA representative will execute the</p>	Low

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		<p>corresponding audit review within the required time as mandated under COA Circular No. 2009-001 of 11 February 2009. A copy of the results of the auditor's review will be given to ADB.</p> <p>An internal audit of the project will be conducted twice each year as on-the-job training for DPWH internal auditors.</p> <p>DPWH will implement the recommendations included in the annual audit report within 1 year of the issuance of the report and will take measures to improve any adverse opinions contained in the audit. COA will provide ADB with the status of implementation of prior years' recommendations. DPWH will review recommendations that have not been implemented and prepare a plan for implementing those that remain relevant.</p> <p>Support will be provided for monitoring and implementing the recommendations contained in the COA reports as well as to develop capacity in the conduct of risk-based internal audit.</p>	
Procurement			
Collusion Bid-rigging Bid process Contract processing Contract variations	High	<p>Procurement advisors will be provided under ADB technical assistance.^a DPWH will ensure the active participation of the procurement advisors from the preprocurement conference through contract award. DPWH will provide the procurement advisors with access to all relevant bid documents and related data for the setting of the approved budget for the contract. The procurement advisors will report to ADB and monitor progress on governance reforms in the subsector.</p> <p>DPWH will publish the results of selection and awards in its website and the Philippine Government Electronic Procurement System. DPWH will facilitate the conduct of a participatory audit, which will include (i) review of contract documents including analysis of bids, (ii) inspection prior to payment, (iii) review of claims of contractors, and (iv) inspection of a punch listing prior to turnover and acceptance of the project. The conduct of the participatory audit should not delay DPWH transactions and should be considered as separate from the pre-audit conducted by the COA representative based in DPWH.</p> <p>DPWH, through its Administrative and Manpower Management Service, will (i) facilitate the conduct of training on identifying collusion and irregularities in bid evaluation, and (ii) organize joint training for COA auditors and other participants in the participatory audit on the conduct of physical inspection and evaluation of status of work accomplished for COA auditors and other participants in</p>	Medium

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		<p>the participatory audit.</p> <p>The DPWH IDC Technical Working Group will prepare a profile of past audit cases to identify specific issues on rigged and collusive bidding for the participants in the participatory audit. The profile will be based on past and present audit reports and reviews carried out by development partners, e.g., the World Bank, and will be used in the training on bid evaluation.</p> <p>DPWH will strengthen its quality assurance capability by acquiring recommended nondestructive testing equipment for materials for the use of the participatory audit team together with the Quality Assurance Unit. Quarterly reports on the use of the equipment will be submitted to ADB.</p>	
Road maintenance			
Insufficient maintenance of project roads	Medium	ADB will monitor maintenance of project roads following project completion. ADB's planned medium-term engagement in the roads subsector provides incentive for the government to ensure that the roads are adequately maintained. The World Bank is providing assistance to address the issue of insufficient financing of road maintenance.	Low
<p>ADB = Asian Development Bank; COA = Commission on Audit; DBM = Department of Budget and Management; DPWH = Department of Public Works and Highways; GAA = General Appropriations Act; IDC = Integrity Development Committee; IDR = integrity development review; TA = technical assistance.</p> <p>^a ADB. 2009. <i>Technical Assistance for Strengthening Transparency and Accountability in the Road Subsector</i>. Manila (TA7434-PHI).</p> <p>Source: Asian Development Bank.</p>			