



Technical Assistance Consultant's Report

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August 2018

Indonesia: Sewerage System Development Project

Part 2: Appendixes

Prepared by Finnish Consulting Group-Asia Pte Ltd in Joint venture with FCG International Ltd and SCE and in association with OSANA International Indonesia

For Asian Development Bank

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Asian Development Bank



ADB TA-9198 INO:

Sewerage System Development Project for
the Cities of Banda Aceh, Bekasi and
Mataram

TA Consultants (49154-001)

FINAL REPORT
Volume 2 – Main Appendices Report

August 2018

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REPORT

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ACRONYMS & ABBREVIATIONS

ADB	Asian Development Bank
APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i> /Regional Government Budget
APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> /National Government Budget
AusAid	Australian Agency for International Development
BCC	Behavior Change Communication
BLH	<i>Biro/Badan Lingkungan Hidup</i> /Environmental Agency
BLUD	<i>Badan Layanan Umum Daerah</i> /Regional Public Service Agency
CDTA	Capacity Development Technical Assistance
CDIA	Cities Development Initiative for Asia
CPMU	Central Project Management Unit
CSS	City Sanitation Strategy
DAK	<i>Dana Alokasi Khusus</i> /Special Allocation Fund
DAU	<i>Dana Alokasi Umum</i> /General Allocation Fund
DED	Detailed Engineering Design
DFAT	Department of Foreign Affairs and Trade (Australia), formerly AusAid
DGHS	Directorate General of Human Settlements (Cipta Karya)
DMF	Design and Monitoring Framework
DPUPR	<i>Dinas Pekerjaan Umum dan Penataan Ruang</i> (Agency for Public Works and Spatial Planning)
DKK	<i>Dinas Kebersihan Kota</i> /City Sanitation Agency
DMF	Design and Monitoring Framework
GIS	Geographic Information System
GoI	Government of Indonesia
IndII	Indonesia Infrastructure Initiative
IPAL	<i>Instalasi Pengolahan Air Limbah</i> /Wastewater Treatment Plant
IPLT	<i>Instalasi Pengolahan Lumpur Tinja</i> /Septage Treatment Plant
IRM	Indonesia Resident Mission (ADB)
IUWASH	Indonesia Urban Water, Sanitation and Hygiene Project (funded by USAID)
LG	Local Government
LPMU	Local Project Management Unit
MOF	Ministry of Finance
MPWH	Ministry of Public Works and People's Housing
MSMHP	Metropolitan Sanitation Management and Health Project
MSMIP	Metropolitan Sanitation Management Investment Project
PAM	Project Administration Manual
PD	<i>Perusahaan Daerah</i> /Local Government Enterprise
PIU	Program Implementation Unit
PMU	Project Management Unit

PPLP	<i>(Direktorat) Pengembangan Penyehatan Lingkungan Pemukiman/ Directorate of Environmental Sanitation Development, Directorate General of Human Settlements, Ministry of Public Works and Peoples' Housing</i>
PPP	Public Private Partnership
PPSP	<i>Program Percepatan Sanitasi Permukiman/Acceleration of Urban Sanitation Development Program</i>
PPTA	Project Preparation Technical Assistance
PUPR	<i>Kementerian Pekerjaan Umum dan Perumahan Rakyat) / Ministry of Public Works and Peoples' Housing</i>
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional / National Medium-Term Development Plan</i>
RRP	Report and Recommendations of the President (ADB)
sAIIIG	Australia Indonesia Infrastructure Grants for Sanitation
SANIMAS	<i>Program Sanitasi Berbasis Masyarakat/Community Based Sanitation Program</i>
SATKER	<i>Satuan Kerja/Work Unit</i>
SDO	Service Delivery Organization
SOP	Standard Operational Procedure
SSK	<i>Strategi Sanitasi Kota/City Sanitation Strategy</i>
UPTD	<i>Unit Pelaksana Teknis Daerah/Local Government Technical Implementation Unit</i>
USAID	United States Agency for International Development
USDP	Urban Sanitation Development Program
USRI	Urban Sanitation and Rural Infrastructure Support to PNPM Mandiri Project (ADB funded)
WWTP or WWTW	Wastewater Treatment Plant or Works

APPENDIX 1: FINANCIAL ASSESSMENTS

CURRENCY EQUIVALENTS (as of 24 January 2017)

Currency Unit	-	rupiah (Rp)
Rp 1.00	=	\$0.0000752544
US\$1.00	=	Rp 13,322

ABBREVIATIONS

APFS	-	Audited Annual Project Financial Statements
ADB	-	Asian Development Bank
APBN	-	Anggaran Pendapatan dan Belanja Negara (National Budget)
BPK	-	Badan Pemeriksa Keuangan (State Audit Agency)
BPKP	-	Badan Pengawasan Keuangan dan Pembangunan (internal control institution)
CPAR	-	Country Procurement Assessment Review
DED	-	Detailed Engineering Design
DG	-	Directorate General
DGHS	-	Directorate General of Human Settlements
EA	-	Executing Agency
ESP	-	Engineering Services Project
FM	-	Financial Management
FMA	-	Financial Management Assessment
FMAQ	-	Financial Management Assessment Questionnaire
IA		Implementing Agency
IRM		Indonesia Resident Mission
IDR		Indonesian Rupiah
KPPN		Kantor Pelayanan Perbendaharaan Negara
LHKASN		Laporan Harta Kekayaan Aparatur Sipil Negara
LKPP	-	Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah
MOF		Ministry of Finance
MPWH	-	Ministry of Public Works and Housing
ODA		Official Development Assistance
PBB		Performance Based Budgeting
PCO		Project Coordination Office
PIU	-	Project Implementation Unit
PMC	-	Project Management Consultant
PMO		Project Management Office
PEFA		Public Expenditure Financial Accountability
PFM		Public Financial Management
PPP	-	Public Private Partnership
SPS	-	Safeguard Policy Statement

SDP	-	Strategic Development Plan
SOE	-	Statement of Expenditure
SAI		Supreme Audit Institution
TOR		Terms of Reference
USD		United State Dollar
WA	-	Withdrawal Application

NOTE

In this report, '\$' refers to US Dollars unless otherwise stated

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A1-1. Executive Summary

1.1. Risk Assessment

1-1. The Project will cover three cities, Mataram, Bekasi and Banda Aceh. If the traditional method of implementing the project is employed whereby the Central Executing Agency (EA) controls the procurement and funding with its implementing units based in the Provincial Government (namely the SATKER) with seconded staff from the EA, then the risk rating is classified as **Substantial**. However, if there is a move to implement the project using the City administrations then the risk is considered **High**.

1-2. The Consultant has followed ADB's **Guidelines for the Financial Management and Analysis of Projects**, and ADB's **Financial Due Diligence: A Methodology Note** and ADB's **Financial Management Technical Guidance Note**, May 2015, in conjunction with the FMAQ and assessed individual risks categorized the risks as follows:

- **High** - likely to occur, will have high impact if occurs
- **Substantial** - unlikely to occur, will have high impact if occurs
- **Moderate** - likely to occur, will have low impact if occurs
- **Low** - not likely to occur, will have low impact if occurs

1.2. Summary of Weaknesses and Risks Identified

1-3. The due diligence has focused on three main areas; (i) the major fiduciary risks facing the SSDP project arising out of the Financial Management Assessment (FMA) of Executing Agency (EA) Directorate of Environmental Sanitation (Pengembangan Penyehatan Lingkungan Permukiman, (PPLP)), (ii) the FMA of the implementing cities of Banda Aceh (North Sumatra), Bekasi (West Java) and Mataram (Lombok), and (iii) the sustainability of the project in regards to the provisional calculation of costs versus the amount of budget that is currently allocated at national and sub-national levels to the wastewater sectors.

1-4. There is one further dimension that needs to be considered and that is the procurement modality that will be used for this project. This is considered at the outset in this summary as it has a bearing on the fiscal robustness of the implementation – the difference between **'Substantial Risk'** and **'High Risk'**. There are two modalities being considered for implementation (i) the traditional approach in Indonesia, whereby the central government takes the lead with the creation of project management units ("CPMU" and "STAKER Stragkis" for this project) and project implementation units (PIU-SATKER) down as far as the provincial government. Civil works, mechanical, equipment and other goods and services are procured by these PIUs and when the final asset is created it will be transferred to the City Governments (Banda Aceh, Bekasi and Mataram for this project) and (ii) Design-Build-Operate (DBO) contract or contracts.

1-5. The Institutional arrangement for both implementation modalities is shown in diagrams in Annex 13. However, in discussion with Component 1 who was responsible for the technical elements of the project preparation (funded by the Cities Development Initiative for Asia (CDIA)) tasked with *'Producing a high level procurement strategy including initial identification of procurement packages and bidding procedures plus associated draft procurement documents (in accordance with ADB Guidelines) for Feasibility Study-prepared investments'*, it appears although a DBO modality was recommended, the institutional framework to facilitate this method of procurement was not addressed, however there is a management structure proposed by this report to address this issues in Annex 12.

1-6. It was simply assumed that the contract owner would be the City Administration.

1-7. There are significant risks associated applying the DBO modality at the City level:

- There is no legislation or existing mechanism to enable the loan/grant from ADB to be transferred either by on-lending or on-granting to the City Administration from the central government, without qualification criteria.
- The procurement packages for civil works and equipment would need to be separated according to the delivered output; Sewer network, wastewater treatment plant (WTP), on-site wastewater systems (with perhaps septage treatment plants – STP) and capacity building programs for administration and operation and environmental and social mitigate programs.
- Component 1 advise that DBO would be most suitable for WWTP. The Preliminary Engineering Design (PED) from Component 1 gives the following results in base costs:

Table 1: Preliminary Design Costs - Component 1

<i>Base costs US\$ (PED)</i>			
City	Sewer Network	WWTP	
Banda Aceh	59,949,916	15,936,412	Zone 1
Pumping Stations	681,344	5,064,456	Zone 3
Pumping Stations	659,706		
Pumping Stations	703,629		
Pumping Stations	1,144,739		
Totals	63,139,334	21,000,868	
Bekasi	34,353,202	10,121,853	Rawapasung
		6,287,097	Perumnas
		5,029,677	Rusaunawa
		6,287,097	Halim
Totals	34,353,202	27,725,724	
Mataram	123,040,684	29,523,290	
	791,152		
	1,484,450		
Totals	125,316,286	29,523,290	
Grand Total	222,808,822	78,249,882	Base Cost

1.3. Summary of Mitigation / Management Measures to be Adopted

1-8. At the city level there are several challenges to mitigate for introducing project implementation at that level: (i) lack of experience of the City Administrations in the administration of lump-sum consultant contracts; (ii) lack of experience managing the selection and administration of a large number of sizable contracts with consultant firms; and (iii) budgeting process or discretionary decisions. These risks are considered manageable due to the following mitigation measures: (i) recruitment of a *Project Management Implementation Support* (PISC) consultant firm to support the City Administrations in all fiduciary aspects of the SSDP implementation on a daily basis and provide necessary on-the-job capacity building; (ii) engagement of TA-funded procurement advisors thorough ADB's ESP project to safeguard the City Administrations during the consultant selection and management processes; and (iii) suitable use of the government's e-procurement platform for the selection of project preparation consultants.

A1-2. Introduction

1-9. The Asian Development Bank (ADB) requires a Financial Management Assessment (FMA) of the Executing Agency (EA) systems to be undertaken for financial and management accounting, reporting, auditing, and internal controls. The EA for the Sewerage System Development Project (SSDP) will be the Directorate of Environmental Sanitation (Pengembangan Penyehatan Lingkungan Permukiman, PPLP) a division of the Directorate General of Human Settlements (DGHS) of the Ministry of Public Works and Housing.

1-10. The assessment was finalized in April 2018 and included a literature review of the previous assessment completed by ADB's *Accelerating Infrastructure Delivery through Better Engineering Services Project (ESP)*, in August 2016, ADB's *Flood Management in Selected River Basins Sector Project (RRP INO 35182)*, also August 2016, and the '*Public Expenditure and Financial Accountability Report*' (PEFA) April 2017. Additionally, over the period January 2018 to April 2018 the Consultant carried out interviews and discussions with senior management, operational financial staff within financial and operational departments at national level, in city administrations and provincial SATKERs, completing the ADB guideline tool the '*Financial Management Assessment Questionnaire*' (FMAQ). On this occasion the questions in the FMAQ were considered adequate for purpose and no additional questions were added, save for verbal clarifications when required.

1-11. The EA will establish a Center for Project Management Unit (CPMU) which will be responsible of the implementation of the project, including the overview of Financial Management, Procurement, Reporting, Monitoring and ensuring Audits are carried out in a timely fashion.

1-12. Implementing Agencies (IA) will be established named SATKERs (Working Unit or Budget User) in each of the three (3) provinces Aceh Provincial Government, West Java Provincial Government and West Nusa Tenggara Provincial Government. There will also be a SATKER in the central PPLP reporting to the CPMU.

1-13. The wastewater management agencies of the local government of the participating cities will each will form a project implementation unit, to include representatives from relevant city government agencies. An assessment is also required of the Implementing Agencies (IAs) for this project.

1-14. The FMA involves a review of the EA and IA disbursement and cash flow management arrangements. The FMA is not an audit. It is a review designed to determine whether or not the EA and IAs financial management arrangements are considered capable of and adequate for recording all transactions and balances, supporting the preparation of regular and reliable financial statements, safeguarding the entity's assets, and are subject to audit (of substance and form acceptable to the ADB). Challenges or weaknesses identified during the FMA are taken into consideration either through project design (i.e., including a component to strengthen financial management systems) or the development of project implementation arrangements (i.e., including a project administration/management office within the entity with the necessary financial management skills and/or procedures).

1-15. The FMA of the DGHS, which is the EA for the SSDP, draws on 3 major components:

- Overall financial management assessment of Indonesia;
- Completed FMA questionnaires by the PPTA of the *Accelerating Infrastructure Delivery through Better Engineering Services*, referred to as the engineering services project (ESP) related to the MPWH's Directorate General of Water Resources (DGWR), the Directorate General of Human Settlements (DGHS), and the Directorate General of Highways (DGH); and
- Financial management assessment's findings and conclusions.

1-16. This FMA has been prepared in accordance with the ADB's *Guidelines for the Financial Management and Analysis of Projects*, and ADB's *Financial Due Diligence: A Methodology Note*.

It incorporates the Financial Management Internal Control and Risk Management Assessment required by the Guidelines.

1-17. Annexes 1 to 8 present the detailed results of the completed Financial Management Assessment Questionnaires (FMAQ) for the Directorate of Environmental Sanitation (Pengembangan Penyehatan Lingkungan Permukiman, PPLP) at national level, at the city levels; the Environmental and Cleanliness Agency [DLHK3] of Banda Aceh, the Dinas PERKIMTAN of Bekasi and Environment agency (LH, for operational of the facility built; by Dept. of Solid Waste, Waste Water and Dangerous Effluent [B3]) of Mataram. In addition, a FMSQ was completed for the 3 SATKERs of JABAR, NAD and NTB provinces.

1-18. The funding of the SSDP project is by Loan, with limited Grant funding available for some consulting and related services. The assessment relies on three underlying basic principles of ADB's development projects and the ability of the Indonesia government at national and local levels to conform to them:

- The proceeds of any loan, investment, or other financing provided by the Asian Development Bank (ADB) shall be used only for procurement in member countries of goods and services produced in member countries unless specifically permitted by its Board of Directors (Article 14[ix]).
- The borrower shall be permitted by ADB to draw its funds only to meet expenditures in connection with the project as they are actually incurred (Article 14[x]).
- Proceeds of any loan made, guaranteed, or participated by ADB are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency (Article 14[xi]).

A1-3. Project Description

3.1. Project Description

1-19. The Sewerage System Development Project (SSDP) project aims to ensure safe disposal of wastewater by 100% of the population in target cities by (i) expanding centralized sewer systems, rehabilitation of wastewater treatment facilities and construction of new wastewater treatment facilities; (ii) facilitating regulated sludge collection, treatment and disposal systems of on-site systems; and (iii) eliminating open defecation. To align the city selection with the national sanitation targets and strategies, it was agreed with the Executing Agency (EA) Directorate of Environmental Sanitation (Pengembangan Penyehatan Lingkungan Permukiman, (PPLP)) to select the cities of Banda Aceh (North Sumatera), Bekasi (West Java) and Mataram (Lombok) as focus cities for SSDP.

1-20. The city of **Banda Aceh** is the capital of Indonesia's Aceh province located at the most north-western part of Sumatra. The current population of Aceh is roughly 250,000. After a long civil war, a peace agreement was signed in Finland in 2004, which granted Aceh a special autonomy status. The signing took place after a major earthquake with 9.2 magnitude that caused a Tsunami that killed 230,000 – 280,000 people and left 500,000 people homeless in Aceh, the Andaman and Nicobar Islands, Sri Lanka and Thailand. Since the tragedy in 2004, many new facilities and infrastructure components have been built or re-built.

1-21. In 2015 the central government of Indonesia funded the building of a US \$7.5 million wastewater treatment plant. The plant is scheduled for completion in 2017. Although new facilities for wastewater were built and are being built in the city, the sanitary facilities on the household and community level have often been built without following adequate community engagement procedures and standards. The lack of hygiene awareness at community level is a huge contributing factor, as is the lack of funding, human resources, and maintenance of facilities. The Banda Aceh public waterworks, PDAM, lost many staff members and specialists during the Tsunami and retention of qualified staff remains a challenge. However, the goal of the city government of Banda Aceh is to provide all its residents with proper wastewater facilities and

services, including adequate maintenance of the current and future facilities. Furthermore, educating and influencing residents on hygiene and domestic on-site sanitation building standards.

1-22. The city of **Bekasi** is located on the eastern border of the capital city of Jakarta. Due to favorable cost of living and successful investment policies, Bekasi has become one of the busiest industrial cities in Indonesia. 2.2 million residents are officially registered as residing in 12 urban and suburban districts. Most of the land in Bekasi is used for manufacturing industry and housing. Bekasi also hosts the largest solid waste deposit site for the city of Jakarta, a cause of long-standing discontent for city officials and local residents. There are 3 main rivers flowing through the city - Sungai Cakung, Sungai Bekasi and Sungai Sunter. Sungai Bekasi is one of the most important rivers as the water is used for rice farming and large-scale drinking water production. The water of all rivers is heavily contaminated.

1-23. Bekasi City faces a serious pollution problem due to inadequate waste water management. Untreated waste waters are drained to the nearest streams and rivers, and thus pollute the drinking water source of the city. Limited funding, population and industrial growth, influx of work-force, and low community awareness on sanitation are contributing factors. Concerned about the problems, and spurred by the GOI target of universal access 2019, the Bekasi Mayor promulgated a regulation (PERWAL 45/2015) on wastewater management in 2015 and established a formal wastewater operator UPTD during the same year, followed by the construction of a semi-mechanized septage treatment plant at Sumur Baru in 2016. Whilst the UPTD is now servicing non-domestic clients, the city government is targeting to manage 80% of the waste water in 5 years and 100% in 20 years. The implementation of this strategy calls for dividing the work into 5 zones. For each zone, diversified wastewater management solutions are proposed, ranging from on-site sanitation to communal systems and centralized sewers.

1-24. The city of **Mataram** located on the Island of Lombok, is the capital city of Nusa Tenggara Barat province, with a population of around 400,000. The recent population growth required the city to add 3 districts to now total 6, from the original 3. While agriculture is still a key economic factor, the geographical closeness of Mataram to Bali has made it easier to develop tourism as one its main income sources.

1-25. The city water supplies mainly come from the slopes of the Mount Rinjani, which is located at the eastern part of the city. Long dry seasons have been recorded in the area which fostered better water management and allocations due to ongoing watershed degradation. The Mataram government is focusing on increasing GoI support to also solve wastewater management and other environmental issues. The local government is in the process of improving regulations and building more effective communication with their communities to promote awareness on good hygiene and sanitary practices. There are also plans to build more on-site sanitation facilities and establish a communal and centralized wastewater treatment.

3.2. Expected Outcome and Outputs

1-26. The Sewerage System Development Project (SSDP) aims for safe disposal of domestic wastewater by 100% of the population in target cities by (i) expanding centralized sewer systems, rehabilitation of wastewater treatment facilities and construction of new wastewater facilities; (ii) facilitating regulated sludge collection, treatment and disposal systems of on-site systems; and (iii) eliminating open defecation.

1-27. SSDP is targeting three principal outputs:

- **Wastewater and sludge management capacity increased:** First priority will be to rehabilitate and optimize existing centralized and decentralized wastewater and sludge collection and treatment systems to their full installed capacity, followed by construction of new facilities. Technologies will be selected based on lifecycle costs and energy efficiency.
- **Service delivery system in place:** Sound legal frameworks in place and a single, financially independent public service organization established which is responsible

for planning, implementing, operating and maintaining wastewater management, with adequate capacity and increased accountability, financial and operational responsibility and transparency. Service delivery mechanisms, including outsourcing, co-management and social contracts established. Sanitation planning and budgeting streamlined into local government planning and budgeting cycles and community user groups in full function.

- **Public awareness campaigns completed:** Developed stakeholder communication strategy and participation plans, supported by the various stakeholders. Hygiene promotion and Community Led Total Sanitation Programs supported to promote on-site and off-site sanitation.

3.3. Total Cost Estimates

D. Detailed Cost Estimates by Outputs/Components								
Item		(\$ million)						
		Total Cost	C1: Banda Aceh		C2: Bekasi		C3: Mataram	
			Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A.	Investment Costs ^b							
	1 Civil Works	262.7	72.6	60.14%	49.0	53.30%	141.1	68.88%
	2 Mechanical and Equipment	45.6	12.4	10.26%	18.7	20.31%	14.6	7.11%
	3 Environment and Social Mitigation	1.7	0.6	0.46%	0.56	0.61%	0.6	0.27%
	4 Consulting Services	44.9	15.9	13.19%	10.9	11.83%	18.1	8.82%
	a. Construction Supervision	17.4	3.4	2.82%	2.43	2.64%	11.6	5.65%
	b. Detailed Design	14.0	4.7	3.88%	4.7	5.09%	4.7	2.29%
	b. Capacity Building	13.4	7.8	6.50%	3.76	4.09%	1.8	0.88%
	5 Project Management	15.7	7.2	5.99%	3.45	3.75%	5.0	2.43%
	6 Land Acquisition and Resettlement Cost	14.1	2.0	1.67%	3.66	3.99%	8.4	4.09%
	7 Taxes & Duties	32.9	10.0	8.28%	5.72	6.22%	17.2	8.38%
	Subtotal (A)	417.4	120.8	28.93%	91.9	22.01%	204.8	49.06%
B.	Recurrent Costs							
	1 Salaries	11.1	4.9	95.76%	2.73	31.00%	3.4	94.05%
	2 Operations	0.5	0.2	3.83%	0.11	1.77%	0.2	5.38%
	3 Equipment Operation and Maintenance	0.1	0.0	0.41%	0.02	0.19%	0.0	0.58%
	Subtotal (B)	11.7	5.1	44.09%	3	24.54%	3.7	31.37%
	Total Base Cost	429.1	125.9	29.34%	94.8	22.08%	208.4	48.58%
C.	Contingencies							
	1 Physical ^c	24.2	6.9	25.08%	5.1	26.08%	12.3	16.61%
	2 Price ^d	96.5	20.5	74.92%	14.4	73.92%	61.6	83.39%
	Subtotal (C)	120.7	27.4	22.66%	19.5	16.12%	73.9	61.22%
D.	Financing Charges During Implementation ^e							
	1 Interest During Implementation	19.7	4.1	78.49%	3.2	86.52%	12.4	89.68%
	2 Commitment Charges	3.0	1.1	21.51%	0.5	13.48%	1.4	10.32%
	Subtotal (D)	22.7	5.2	3.27%	3.7	3.11%	13.9	61.01%
Total Project Cost (A+B+C+D)		572.5	158.4	100.00%	117.9	100.00%	296.2	51.74%

3.4. Project Financing Plan

C. Detailed Cost Estimates by Financier													
(\$ million)													
Item	Asian Development Bank		Government of Indonesia		ADB ESP		Local Government		Beneficiaries		Co-Financier		Total Cost
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	
	{A}	{A/G}	{B}	{B/G}	{C}	{C/G}	{D}	{D/G}	{H}	{H/G}	{I}	{I/G}	{G}
A. Investment Costs													
1 Civil Works	191.48	72.90%	21.28	8.10%	-	0.00%	23.64	9.00%	26.27	10.00%	-	0.00%	262.66
2 Mechanical and Equipment	36.95	81.00%	4.11	9.00%	-	0.00%	4.56	10.00%	-	0.00%	-	0.00%	45.62
3 Environment and Social Mitigation	1.35	81.00%	0.15	9.00%	-	0.00%	0.17	10.00%	-	0.00%	-	0.00%	1.67
4 Consulting Services	11.63	25.93%	1.29	2.88%	14.04	31.30%	4.49	10.00%	-	0.00%	13.41	29.89%	44.86
a. Construction Supervision	14.10	81.00%	1.57	9.00%	-	0.00%	1.74	10.00%	-	0.00%	-	0.00%	17.41
b. Detailed Design	-	-9.00%	-	-1.00%	14.04	100.00%	1.40	10.00%	-	0.00%	-	0.00%	14.04
c. Capacity Building	-	-9.00%	-	-1.00%	-	0.00%	1.34	10.00%	-	0.00%	13.41	100.00%	13.41
5 Project Management	12.69	81.00%	1.41	9.00%	-	0.00%	1.57	10.00%	-	0.00%	-	0.00%	15.67
6 Land Acquisition and Resettlement Cost	-	0.00%	-	0.00%	-	0.00%	14.07	100.00%	-	0.00%	-	0.00%	14.07
7 Taxes & Duties	-	0.00%	32.89	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	32.89
Subtotal (A)	254.11	85.36%	61.12	14.64%	14.04	3.36%	48.49	11.62%	26.27	6.29%	13.41	3.21%	417.44
B. Recurrent Costs													
1 Salaries	-	0.00%	11.09	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	11.09
2 Equipment Operation and Maintenance	-	0.00%	0.50	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.50
Subtotal (B)	-	0.00%	11.59	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	11.59
Total Base Cost (A+B)	254.11	59.23%	72.72	16.95%	14.04	3.27%	48.49	11.30%	26.27	6.12%	13.41	3.13%	429.03
C. Contingencies	120.72	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	120.72
D. Financing Charges During Implementation	22.71	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	22.71
Total Project Cost (A+B+C+D)	397.53		72.72		14.04		48.49		26.27		13.41		572.45
% Total Project Cost		69.44%		12.70%		2.45%		8.47%		4.59%		2.34%	100%

3.5. Implementation Schedule

	In Percentages	Stage 1					Stage 2			Stage 3	
		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
		Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Mataram	WWTP Stage 1	0%	10%	30%	60%	0%					
	WWTP Stage 2						60%	40%			
	WWTP Stage 3								50%	50%	
	Sewer Network S1		10%	30%	35%	25%					
	Sewer Network S2						20%	30%	50%		
	Sewer Network S3								33%	33%	34%
16202	Stage 1 HHC				37%	37%	26%				
18016	Stage 2 HHC							33%	33%	33%	
15281	Stage 3 HHC									50%	50%
Banda Aceh	WWTP Zone 1	0%	10%	40%	50%						
	WWTP Zone 3	0%	10%	10%	15%	20%	15%	15%	15%		
	Sewer Network Z1	0%	0%	0%	33%	33%	34%				
	Sewer Network Z3	0%	0%	0%	0%			33%	33%	34%	
15647	HH Connections	0%	0%	0%	0%	38%	38%	23%			
6566	HH Connections	0%	0%	0%	0%					91%	9%
Bekasi	WWTP Rawapasung	0%	10%	30%	25%	35%					
	WWTP Perumnas	0%	10%	30%	25%	35%					
	WWTP Rusunawa	0%	10%	30%	25%	35%					
	Sewer NW Rawapasung			20%	30%	50%					
	Sewer NW Perumnas			20%	30%	50%					
	Sewer NW Rusunawa			20%	30%	50%					
	Sewer NW Halim			20%	30%	50%					
8,000	Connections Rawa					63%	37%				
3,000	Connections Per					100%					
2,400	Connections Ruau					63%	37%				
3,000	Connections Hal					63%	37%				
DED / ESP		100%									

3.6. Executing Agency

1-28. Both Executing (EA) and Implementing Agencies (IA) are part of the central government structure. The project is overviewed by the Ministry of Public Works and Housing (MPWH) and will report to the Executing Agency Directorate General of Human Settlements (DGHS) who sets up the Project Management and Project Implementation Units.

1-29. Address for Executing Agency: Dr. Ir. Danis Hidayat Sumadilaga, M. Eng.Sc Direktur Jenderal, Cipta Karya, Jl. Pattimura 20, Kebayoran Baru Jakarta Selatan 12110, Email : dirjenck@pu.go.id

3.7. Implementing Agencies

1-30. The management structure, under the Executing Agency (EA = DJCK Direktorat Jenderal Cipta Karya, Directorate General of Human Settlements) is headed by the Implementing Agency (IA) of a Direktorat called “Pengembangan Penyehatan Lingkungan Pemukiman” (PPLP) and its sub-unit “Directorate of Environmental Sanitation Development”. A Center of Project Management Unit (CPMU) will be created in PPLP and a SATKER (PIU) underneath the CPMU called SATKER PPLP Strategis. Depending on the final structure of implementation there could be 3 sub-PIUs in each of the 3 provinces where the 3 cities are located.

1-31. The address for DGHS is Jl. Pattimura No. 20 Kebayoran Baru, Jakarta, Indonesia

1-32. Refer to Annex 8 for the full structure.

A1-4. Country and Sector Financial Management Issues

1-33. This section relies heavily on ADB's *Asian Development Outlook*, 2018, ADB's *Country Partnership Strategy (2016-2019)*, August 2016, and the *Public Expenditure and Financial Accountability (PEFA)* evaluation undertaken in 2017 Published in May 2018 and sponsored by Canadian Aid, European Union, Swiss Confederation and World Bank Group.

1-34. The country has a stable, multi-party democracy. Government is decentralized with a national government, 34 provincial governments and 491 district administrations. Public sector management is decentralized. It is the world's largest archipelago nation, with over 252 million people residing on around 6,000 of the 17,500 islands. The economy has grown five-fold over the past thirty years, with Indonesia's GDP approaching \$1 trillion making it (in purchasing power terms) the tenth largest economy in the world, and the only Southeast Asian member of the G20.⁴ Per-capita income of \$3,374 makes Indonesia a Middle-Income Country. The nation has a wide array of land and sea-based natural resources, exports of which increased from \$25 billion in 1990 to \$150 billion in 2015.

1-35. The country has a large and growing share of middle-income consumers and a vibrant private sector. Several decades of solid economic growth have resulted in noteworthy progress in poverty reduction and social development. The absolute poverty rate has fallen from 22% in the mid-1980s to just 11% in 2015. Adult literacy is at 95%; primary and secondary education coverage are at 100% and 85% respectively; and life expectancy has increased from 63 years in 1990 to 71 years in 2015.

1-36. Despite the obvious progress, there is significant inequality in access to improved sanitation by wealth quintiles in urban areas: almost 100% of the richest two quintiles have access to improved sanitation, compared to only 36% of the poorest two quintile. 28% of urban Indonesians do not have access to improved sanitation facilities and 13% (18 million) still practice open defecation. About 1% of urban dwellers are served by sewerage systems, with only 13 cities having a substantial sewerage network. Nationally, over 70% of urban households discard wastewater into septic tanks or 'cubluk' (open bottom pits). This has led to effluent waste being discharged largely untreated or partially treated into open drains, canals, rivers and ponds, resulting in widespread fecal contamination of urban ground water resources. With many people still reliant on wells for their drinking water, Indonesia continues to suffer a high incidence of water- and sanitation-related diseases, particularly typhoid.

1-37. Under the National Medium-Term Development Plan (RPJMN) 2015-2019, Government of Indonesia (GoI) has committed to an ambitious target of eliminating slums and providing universal access to safe water and sanitation by 2019 (popularly known as 100-0-100). For meeting these targets, GoI has launched sectoral platforms for improving service delivery for urban and rural water and sanitation and invests into slum upgrading and livelihood measures. The 100-0-100 targets are introduced as a bridging objective between the MDG and the future focus on Sustainable Development.

1-38. The national Accelerated Sanitation Development Program in Residential Areas (PPSP) identifies 'city-sanitation-strategies' for achieving wastewater targets set by Bappenas for 2019 (85% of Indonesian communities have access to improved sanitation - comprising of 85% on-site systems and 15% off-site systems - with the remaining 15% of the population relying on basic sanitation facilities). Following up on this policies and strategies, the Sewerage System Development Project (SSDP) aims to contribute to safe disposal of domestic wastewater in three partner cities by (i) expanding centralized sewer systems and rehabilitation of wastewater treatment facilities; (ii) facilitating regulated sludge collection, transport, treatment and disposal of on-site systems; and (iii) eliminating open defecation.

1-39. To align the city selection with the national sanitation targets and strategies, it was agreed with the Executing Agency Directorate General Human Settlements (DGHS) of the Ministry of Public Works and Housing to select the cities of Banda Aceh (North Sumatra), Bekasi (West Java) and Mataram (Lombok) as focus cities for SSDP.

1-40. The project will be implemented in a period of progress where Overall fiscal management has been prudent. The fiscal stance remains mildly expansionary, with overall fiscal deficits of 2.6 and 2.5 percent of GDP in 2015 and 2016, respectively (primary deficit of 1 percent), approaching the budget deficit cap of 3 percent of GDP. Given the fiscal rule requiring that the deficit be kept at or below the cap of 3 percent of GDP, and given the constraints to rapidly increasing revenue, increasing the overall level of public expenditure will be difficult—at least in the medium term. Overall, government spending is declining, from 17.3 percent of GDP in 2013 to 15.0 percent in 2016.

1-41. The government faces significant challenges to deliver on its Collecting More objective. Relative to its regional and emerging market peers, Indonesia has one of the lowest revenue-to-GDP ratios (12.5 percent in 2016 from 13.1 percent in 2015) and tax-to-GDP ratios (10.4 percent in 2016 from 10.7 percent in 2015), as well as one of the widest gaps between actual and potential revenues. It is estimated that Indonesia is collecting less than 50 percent of its potential tax revenues.¹ The revised 2015 budget set an ambitious revenue-collection target, at 15.1 percent of GDP (or a tax-to-GDP ratio of 12.7 percent of GDP), with a fiscal deficit target of 1.9 percent of GDP. The 2016 fiscal deficit grew to 2.6 percent as a result of tax revenues falling far short of this target.²

1-42. These challenges of course will be faced by SSDP in structuring proposed tariffs because, even at the power levels of City and Provincial living, the failure rate to collect revenue could be harmful to the sustainability of SSDP.

1-43. The financial analysis conducted by SSDP shows a very small allocation of resources to the sanitation sector – almost negligible. The PEFA reports that the national budget has been allocated toward the government's priority areas. The reduction in fuel subsidies since 2015 has provided some fiscal space for the government to focus on more productive spending and fiscal decentralization. This has helped to develop priority infrastructure projects and target more efficient spending by expanding social assistance programs and fulfilling mandatory spending in education at 20 percent and health at 5 percent of total expenditure. The government showed its policy intent in the 2016 budget by maintaining low energy subsidies and sustaining the increase in pro-poor and pro-growth spending on infrastructure, health and social assistance.

1-44. However, it must be stated that there is little evidence that a sustained allocation of resources for sanitation and in particular, wastewater, that would draw a conclusion that this is a priority sector.

1-45. For Financial Management Line ministries are responsible and accountable for their own financial administration. Within each line ministry there are spending units, or *Satker*, responsible for financial control and the approval of payments, including payroll. Payment requests are then forwarded to DG Treasury's field offices for payments to be made. Ministries are also required to prepare annual financial statements to be submitted to the MOF. Each line ministry includes an internal audit unit (Inspector-General, or IG), which reports directly to the responsible minister and is responsible for performance and financial audits.

1-46. According to the PEFA, there are still some weaknesses related to the strategic allocation of resources, the accountability of budget implementation and the efficient delivery of public services. These are areas in which reform efforts are being made but where these efforts have yet to realize full performance based on this assessment. Among the most important of these ongoing efforts are: (i) improving budget credibility by strengthening the budget forecast, establishing consistent budgeting framework, and increasing revenue mobilization and compliance of tax and non-tax collection; (ii) improving the system capacity to deliver infrastructure outcomes by harmonizing the selection, implementation and monitoring of capital expenditure with formal guidelines and oversight, efficient management of public assets, as well

¹ Fenochietto, R. and Pessino, C., 2013, "Understanding Countries' Tax Effort", IMF Working Paper WP/13/244.

² The general government deficit is capped by law at 3 percent of GDP. The threshold for each level of government is determined each year in a MOF regulation. The 2015 and 2016 maximum threshold for the subnational governments has been set at 0.3 percent and for the central government at 2.7 percent of GDP.

as consolidation and monitoring of public procurement operations; (iii) the inclusion in the budget of performance information, linking resource planning in the most appropriate manner for better service delivery; (iv) promoting effective reporting of subnational budget execution; and (iv) strengthening internal audit and external audit, and control measures.

1-47. Some of these weaknesses have to be addressed for the SSDP program to be successful and recommendations are included in this report.

A1-5. Project Financial Management System

5.1. Overview

This section should provide a narrative description of the country public financial management systems covering:

(i) Organization and Staff Capacity

1-48. At the central agencies of ministry, executing and implementing level at provincial level staff capacity for implementing ADB projects is at a high level. They all have plenty of experience in previous projects with ADB, although technically it is not clear if they have implemented a sanitation project on its own.

1-49. At the lower levels of sub-national government at City level there is virtually no experience within the sector of implementing an ADB Project.

1-50. The Implementing Agency (IA) will be at the Direktorat level called “**Pengembangan Penyehatan Lingkungan Pemukiman**” (PPLP) and its sub-unit “Directorate of Environmental Sanitation Development” is responsible at the central level. The priority is to fill key positions and staff of SATKER from civil servants within Directorate PPLP with ADB experience. If insufficient, then SATKER will recruit from outside for consultants who have previously worked in public works projects.

1-51. In **Mataram**, the Environment Agency will be responsible for the Project. Existing staff will be used, who are all on long term contracts with very low turnover rates. If new expertise is needed they will be hired. Position descriptions were not provided.

1-52. In **Mataram Satker**, PSPLP Provinsi NTB is an organization under the Direktorat PPLP (Environment Development), Ditjend Cipta Karya, Kemen PUPR (Ministry of Public Work and Housing). They do not have enough staff on permanent basis and will have to hire staff for this project. They propose at least 13 additional staff are required for the proposed project. Treasury (2), SPM (2), BMN (2), Monev (2), and Pokja Procurement (5) – training in ADB policies and procedures will be necessary.

1-53. Existing financial staff deal with capital expenditure, and direct and indirect expenses. They have bachelor degree in accountancy and economics; and get training regularly from MOF and Inspectorat agency. The core staff of financial and accounting functions are civil servants, including assistants. The civil servants have contracts until they are 58 years old and for non-civil servant contracts are for 1 year, and can be extended every year until they are capable to become civil servant – profile of the finance department in province: Civil servants 19, Non civil-servants 15 > Total 34. There is a low turnover rate: 2015: In 0 out 0, 2016: In 0 out 0, 2017: In 0 out 0.

1-54. Each year the finance and accounting staff attend workshops, seminars, socialization, refreshing for treasury, disbursement, assets, planning and budgeting. They also attend financial application system training every year to increase their capability.

1-55. In **Bekasi**, staff have no experience of ADB Projects. Staffing levels made require new staff to accommodate the project. Most existing staff have financial accounting and economic background with experience of more than three years. The city has its own training agency which includes a training program for finance and accounting staff. Other training and workshops are held every year regarding the compliance of financial report preparation.

1-56. In **Bekasi** Satker, PSPLP Provinsi JABAR is an organization under the Direktorat PPLP (Environment Development), Ditjend Cipta Karya, Kemen PUPR (Ministry of Public Work and Housing). They do not have enough staff on permanent basis and will have to hire staff for this project. They propose at least 10 additional staff require for the proposed project. Treasury (2), SPM (2), BMN (1), Monev (1), and Pokja Procurement (4) – training in ADB policies and procedures will be necessary. Existing financial staff deal with capital expenditure, and direct and indirect expenses. They have bachelor degrees in accountancy and economics and get training regularly from MoF and Inspectorat agency. The core staff of financial and accounting functions are civil servants, including assistants. The civil servants have contracts until they are 58 years old and for non-civil servant contracts are for 1 year, and can be extended every year until they are capable to become civil servant – profile of the finance department in province: Civil servants 23, Non civil-servants 10 > Total 33. There is a low turnover rate: 2015: In 2 out 1, 2016: In 0 out 1, 2017: In 3 out 1.

1-57. In **Banda Aceh** The financial organisation structure is a part of the LHK3 Secretary's division. Project management would be in the section of waste water and dangerous substance. It has 6 staff and new staff would be needed according to the project scale. The financial staff comprises ones dealing with capital expenditure, and direct and indirect expenses. They have bachelor degrees in accountancy and economics and get training regularly from MOF and Inspectorate agency.

1-58. The **Banda Aceh** Satker, PSPLP Provinsi Nanggroe Aceh Darussalam (NAD) is an organization under the Direktorat PPLP (Environment Development), Ditjend Cipta Karya, Kemen PUPR (Ministry of Public Work and Housing –MPWH). They report not have enough staff on permanent basis and will have to hire staff for this project. They propose at least 15 additional staff required for the proposed project. Treasury (3), SPM (2), BMN (2), Monev (2), and Pokja Procurement (5) – training in ADB policies and procedures will be necessary. Existing financial staff deal with capital expenditure, and direct and indirect expenses. They have bachelor degrees in accountancy and economics and get training regularly from MoF and Inspectorat agency. The core staff of financial and accounting functions are civil servants, including assistants. The civil servants have contracts until they are 58 years old and for non-civil servant contracts are for 1 year, and can be extended every year until they are capable to become civil servant – profile of the finance department in province: Civil servants 22, Non civil-servants 24 > Total 46. There is a low turnover rate: 2015: In 1 out 1, 2016: In 2 out 1, 2017: In 0 out 1

1-59. The various functions required for the project at different levels are presented below.

Table 2: Institutional Functions & Responsibilities

Project implementation organizations	Management roles and responsibilities
<ul style="list-style-type: none"> Ministry of Public Works and Housing, Office of Secretary General 	<ul style="list-style-type: none"> ✓ Provide oversight for the project; ✓ Communicate with other ministries for project coordination
<ul style="list-style-type: none"> Direktorat Jenderal Cipta Karya (DJCK), Directorate General of Human Settlements 	<ul style="list-style-type: none"> ✓ Administer SSDP as the executing agency of the ADB loan; ✓ Facilitate disbursement and withdrawal applications; ✓ Communicate with ADB for any amendments in the reallocation of the loan amount.
<ul style="list-style-type: none"> Direktorat Pengembangan Penyehatan Lingkungan Pemukiman (PPLP) / Directorate of Environmental Sanitation Development 	<p>The roles and responsibility of PPLP will include the following:</p> <ul style="list-style-type: none"> ✓ Provide overall coordination and guidance during the implementation of the SSDP; ✓ Monitor status of preparation and implementation of individual infrastructure projects in each of the three (3) cities and facilitate and coordinate the outputs of ADB's ESP project to ensure Tender documents are prepared correctly for SSDP and the procurement is

Project implementation organizations	Management roles and responsibilities
<ul style="list-style-type: none"> • PPLP Centre of Project Management Unit (CPMU) 	<p>carried out in accordance with and to achieve the required technical solutions;</p> <ul style="list-style-type: none"> ✓ Monitor status of institutional strengthening and capacity building activities; ✓ Ensure alignment of the SSDP with MPWH and ADB targets and time-lines; <p>Staff from the PPLP will be assigned to the CPMU. PPLP will engage consultants to support CPMU through its own budget APBN and ADB technical assistance budget as recommended by ADB TRTA 9198: The roles and responsibilities of the CPMU will include the following:</p> <ul style="list-style-type: none"> ✓ Consolidate and review information on SSDP implementation, including on the inclusion of civil works and equipment, environmental and social mitigation, land acquisition and resettlement, and on capacity building for implementation and operation and maintenance. Ensuring counterpart funding is included in the GOI budgeting process. ✓ Prepare consolidated reports on SSDP implementation status, including capacity building in all 3 cities, for PPLP/MPWH management, other government agencies and ADB; ✓ The CPMU will be supported by one international and one national project implementation specialists (supported by administrative assistant) to be engaged by ADB under technical assistance “Sewerage System Development Project”. TORs of these consultants are in the main report at Appendix 2.
<ul style="list-style-type: none"> • SATKER PPLP Strategis 	<p>PPLP will be the implementing agency for the SSDP. PPLP will be represented by its PCMU. A SATKER PPLP Strategis, including appropriate staff to cover procurement and financial management areas, will then be created in PPLP reporting to PCMU and its responsibilities will be;</p> <ul style="list-style-type: none"> ✓ Lead communication and reporting on the SSDP with PCMU and ADB; ✓ Establish and maintain a monitoring framework for all SSDP-supported projects to ensure all SSDP projects and their scheduled counterpart funds are prioritized in the DG’s request for capital budget for the year; ✓ Ensure compliance with agreed guidelines and procedures for the procurement of goods and selection of consultants in line with those designed in ESP project and also under ADB TRTA 9198-INO; ✓ Review and process payments to consultants under outputs 1 and 2 (below); ✓ Manage financial reporting and accountability aspects (withdrawal applications – using ADB’s CPD system, financial reports, audits, bank account statements, etc.); ✓ Lead financial management per ADB’s Loan Disbursement Handbook 2017 and amendments from time to time; <p>Output 1:</p> <ul style="list-style-type: none"> ✓ Review and approve outputs from ESP Project, including engineers cost estimates, DBO tender documents for WWTP in 3 cities and Sewer networks in 3 cities and TORs for supervision consultants ✓ Review and implement tenders for environmental and social mitigation, the capacity building program in the 3 cities using the generic Terms of Reference (TOR – refer Annex of main report) developed under ADB TRTA 9198-INO, including development of and evaluation of submitted EOIs (with contribution of the PIUs in the relevant provinces and cities);

Project implementation organizations	Management roles and responsibilities
	<ul style="list-style-type: none"> ✓ Provide recommendation to Director of CPMU to sign delivery contracts; ✓ Contribute to the review of consultant outputs and quality assurance; ✓ In coordination with PIUs, monitor status of project implementation and facilitate timely action by all structures for timely responses and actions. <p>Output 2:</p> <ul style="list-style-type: none"> ✓ Lead selection and management of SSDP project management consultants; ✓ Each PIU will receive consultant support for implementation of the SSDP through a project management consulting firm. TORs of each PMC are in Appendix 2.
<ul style="list-style-type: none"> • Project Implementation Units (PIUs) at Aceh Provincial Government, West Java Provincial Government and West Nusa Tenggara Provincial Government. There is a possibility that PIUs will also be created in each of the 3 City Administrations; Banda Aceh, Bekasi and Mataram 	<p>The PIU in each province (and possibly city) will be headed by a Director and will include necessary staff to cover procurement, financial management, and technical areas. The management roles and responsibilities of each of the PIUs will include the following:</p> <p>Output 1:</p> <ul style="list-style-type: none"> ✓ Closely monitor status of each contract and ensure timely action by the consultant and all structures in the respective City. ✓ Review TORs created by ADB TRTA 9198-INO for selection of firms for the panel; ✓ Contribute to evaluation of submitted EOIs by SATKER PPLP Stragegis; <ul style="list-style-type: none"> ○ Lead technical and financial evaluation of submitted proposals, and contract negotiations; ○ sign the contract with the technical consultant selected from the panel; ✓ Lead quality assurance of the technical consultants' outputs, including review of consultant's deliverables; ✓ Provide feedback on performance of consultants; ✓ Confirm deliverables of the consultants for payment processing by SATKER PPLP Stragegis and CPMU; ✓ Lead consultant performance evaluation upon completion of contract. ✓ Submit monitoring status of each contract to SATKER PPLP Stragegis and ensure timely action by the consultant and SATKERs; ✓ Ensure compliance with ADB consultant selection guidelines. <p>Output 2:</p> <ul style="list-style-type: none"> ✓ Contribute to implementation of capacity building and institutional strengthening activities (including in public investment management, safeguards, environment and social programs and procurement) in the relevant city. <p>Each PIU will be supported by the Project Management Consultant (PMC)</p>
<ul style="list-style-type: none"> • Project Team (PIU – Balai "technical unit" / SATKER) 	<p>PIUs as above Technical Units (Balai/SATKERs);</p> <p>Output 1:</p> <ul style="list-style-type: none"> ✓ Provide feedback to respective PIU and CPMU on implementation challenges and constraints; ✓ Lead coordination with other local agencies, government offices and City Administrations. ✓ As members of Project Team: <ul style="list-style-type: none"> ○ be the lead counterpart for the consultants during their assignments, including managing and supervising the consultants on daily basis; ○ review and quality assurance of consultant output;

Project implementation organizations	Management roles and responsibilities
	<ul style="list-style-type: none"> ○ contribute to consultant performance evaluation upon completion of contract.
	<p>Output 2:</p> <ul style="list-style-type: none"> ✓ Participate and contribute to capacity building and institutional strengthening activities under SSDP.
• ADB Project Team	<ul style="list-style-type: none"> ✓ Review and monitor implementation of the SSDP, including facilitation of timely reviews by ADB on procurement, financial management and other types of project reporting and submissions from the EA and IA including prompt action on requests for No-objection-letters. ✓ Coordinate with development partners (SECO) and other stakeholders on SSDP implementation. ✓ Facilitate Design-Build-Operate (DBO) related knowledge and best practices to MPWH from ADB experiences in the Asia Pacific region through workshops, construction supervision consultants and capacity building consultants. ✓ Facilitate, to the extent required, further training in the ADB Disbursement procedures under Client Portal for Disbursement (CPD) system

1-60. The adoption of the Design-Build-Operate mode of procurement, as recommended by Component 1 of the project preparation, presents a major risk which needs to be mitigated. The first issue is to decide at what level the owner should be placed, at national level through the EA PPLP using one DBO contract covering all three (3) cities or at the city level using three (3) different DBO contracts. The second issue is the legal and regulation challenges. Because of the operational element of the DBO contract the logical owner should be placed at the City level, but then there is a question of on-granting the loans monies from ADB to the cities. There is no precedent for this³.

1-61. In addition, because of the diverse nature of the cities and their WWTP infrastructure needs a rationalization needs to be made on commercially viable structures for operating. For example; in Bekasi the plants will be so small (10,500 HH) in perhaps two different schemes, that an operating scenario may not appeal to an international bidder.

1-62. It is **recommended therefore that to mitigate the risk** that laws and regulations be drafted to provide for on-lending or on-granting to the City Administrations to that they become the owners and will tender the DBO contracts. It is **also recommended** that a full capacity

In a Design-Build-Operate (DBO) Project the public sector owns and finances the construction of new assets. The private sector designs, builds and operates the assets to meet certain agreed outputs. The documentation for a DBO is typically simpler than a BOT or Concession as there are no financing documents and will typically consist of a turnkey construction contract plus an operating contract, or a section added to the turnkey contract covering operations. The Operator is taking no or minimal financing risk on the capital and will typically be paid a sum for the design-build of the plant, payable in instalments on completion of construction milestones, and then an operating fee for the operating period. The operator is responsible for the design and the construction as well as operations and so if parts need to be replaced during the operations period prior to its assumed life span the operator is likely to be responsible for replacement.

building program, including study tours and ADB knowledge sharing, be implemented to prepare these administrations for managing DBO Contracts.

³ Pallenbang City is often quoted as being a precedent for this mode of financing, however it is not quite what people think. The Australian government created with the MOF a special account with the Bank of Indonesia whereby **after** the city has spent the monies it can be reimbursed from this account.

(ii) Information Management

1-63. State Treasury Law No. 1/2004 provides the legal basis for the Treasury to be the fund manager, with responsibilities that include: (i) the rationalization of government bank accounts and the centralization of cash management in the MOF through the establishment of a Treasury Single Account (TSA); (ii) streamlining budget execution; (iii) improving reporting on budget execution; and (iv) improving government financial reporting through the implementation of government accounting standards, based initially on modified accrual accounting with full accrual accounting by 2010.

1-64. Decentralization is defined through a number of laws and decrees: Law No. 23/2014 on Regional Administration; Law No. 33 on Fiscal Transfers (under revision in 2017); Law No. 28/2009 on Regional Taxes and Fees; Government Regulations No. 55/2005 on Intergovernmental Transfer and No. 37/2007 on Functional Responsibility; and MOHA Regulations No. 13/2006 and No. 59/2007 on PFM in regional governments.

1-65. The Ministry of Finance (in accordance with PP 71/2010) has developed an accounting system called Sistem Akuntansi Instansi Berbasis Akrual (SAIBA), which is an accrual-based accounting system for government agencies.

1-66. The SAIBA enables preparation of financial reports in stages starting from the SATKERS, regions, Echelon 1, and ministry level. This accounting system was developed by the Directorate General of Treasury of the Ministry of Finance. It is mandatory for use by all SATKERS in Indonesia. This system enables production of following reports:

i. Budget execution reports:

- (i) disbursed fund report;
- (ii) statement of changes in balance budget surplus (Laporan Perubahan SAL)

ii. Financial reports:

- (iii) balance sheets;
- (iv) operational reports;
- (v) statement of equity change; and
- (vi) cash flow statements

iii. Notes to the financial statements

1-67. However, most financial statements are still required to be produced in ADB formats using excel spreadsheets

(iii) Budgeting and Funds Flow Arrangements

1-68. The prime responsibility for managing the public finances rests with the Ministry of Finance. Its functions include: formulating, stipulating and implementing policies in terms of budgeting, taxes, customs and excise, treasury, state assets management, fiscal balance, and budget financing and risk management.

1-69. The national planning agency, Bappenas, also plays an important role in the budget. Bappenas used to be responsible for the preparation and implementation of the development budget, until this responsibility was transferred to the MOF. Bappenas is currently responsible for the development of the annual, medium-term (5-year) and long-term (20-year) plans that articulate the priorities of the President, and for reviewing the annual work plans prepared by line ministries. In practice, Bappenas continues to take the lead role in the development of the discretionary elements of budget expenditure, program structures in the budget and on expenditure prioritization in general. Bappenas also provides input into the development of the macroeconomic framework.

1-70. The MOF and Bappenas jointly issue the budget circular in February/March for the next fiscal year and both review the work plans and budgets submitted by line ministries in June/July through trilateral discussions. During the 2017 budget preparation, Bappenas took the lead in spending priorities and reallocation, while the MOF took the lead in the macro-fiscal framework.

This role was adjusted in May 2017 through the promulgation of Government Regulation No.17 /2017 on Synchronization for the Process of National Development Planning and Budgeting. This regulation stipulates a joint role for the MOF and Bappenas in the budget formulation process.

1-71. State Finance Law No. 17/2003 provides the use of a macroeconomic framework in budget development, a GFS-consistent classification system and performance-based budgeting. It also sets out the role of the finance minister, procedures for the preparation and adoption of the state budget, financial relationships across different levels (horizontal and vertical) of government, and a requirement for annual audited financial statements to be submitted by the President to parliament.

(iv) Effectiveness

1-72. Government Regulation (PP) No. 60/2008 on the Government Internal Control System (GICS) was issued by adopting the COSO framework in 2008 and “sets the tone at the top” for all government agencies.⁵ The GICS aims to provide reasonable assurance in achieving effectiveness and efficiency in meeting the government’s activities objectives, the reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. In line with this regulation, all ministers/heads of the institution, governors, and district heads/mayors are required to exercise control over the implementation of the activities of government and also be responsible for the effectiveness of internal control systems within their authority.

1-73. Meanwhile, the President, as head of the government, has the mandate to organize and implement the internal control system within the government as a whole, in order to improve performance, transparency and accountability in financial management. BPKP, the National Internal Audit Institution, is appointed the internal agency responsible for assisting ministries, departments and agencies, as well as local governments, in the implementation of PP No. 60/2008. The current implementation guidelines, including the roles and responsibilities of budget holders, commitment makers, payment verification staff, treasurers and accounting staff in each ministry, can be found in MOF Decree No. 190/2012. In 2016, BPKP initiated guidelines to assess the quality of internal control implementation across all government institutions nationwide through BPKP Regulation PERKA No. 4/2006.

1-74. Presidential Decree No. 80/2003 on Procurement provides the basis to improve the procurement regime. The National Public Procurement Agency (LKPP) was established at the end of 2007 by Presidential Regulation No. 106/2007 to govern the implementation of e-procurement to increase transparency and efficiency in the procurement process. The decree required that all government units and both national and subnational governments to adopt e-procurement by 2012 to increase transparency and efficiency in the procurement process. The decree also required procurement service units (ULP) to be established with accredited personnel at all levels of government to standardize the organization of procurement. Issuance of Presidential Regulation No. 54/2010, which follows key principles of sound procurement practices—efficiency, effectiveness, competitiveness, openness, transparency, non-discrimination, and accountability—has further improved the legal and regulatory framework of public procurement in Indonesia.

(v) Accountability Measures (e.g., public audits, legislative oversight)

1-75. State Audit Law No. 15/2004 provides the operational framework for the external audit institution, BPK, as a professional and independent institution tasked with submitting audit findings/reports to parliament. In addition, Law No. 15/2006 was adopted to replace the internal governance arrangements for BPK established in Law No. 5/1973. The third amendment of the 1945 Constitution in 2001, the Audit Law of 2004 and the Law on BPK of 2006, together provide the legal basis for public sector auditing by BPK.

5.2. Strengths

1-76. The GOI is well equipped to handle and enforce its accounting policies and procedures. It has a computerized financial system for its own transactions and for the project.

1-77. The Ministry of Finance (in accordance with PP 71/2010) has developed an accounting system called Sistem Akuntansi Instansi Berbasis Akrua (SAIBA), which is an accrual-based accounting system for government agencies.

1-78. The SAIBA enables preparation of financial reports in stages starting from the SATKERS, regions, Echelon 1, and ministry level. This accounting system was developed by the Directorate General of Treasury of the Ministry of Finance. It is mandatory for use by all SATKERS in Indonesia.

1-79. ADB Reporting should be straight forward using this system and should avoid the excel based system.

5.3. Weaknesses

1-80. If we follow a traditional implementation path the systems are satisfactory. However, if the project is designed to involve the city Administrations in the implementation phase there is no modality for passing the money down from central government to the Cities. In addition, the project would have to embark on a lot of capacity building if the implementation is with DBO.

1-81. If the project follows a traditional implementation path the systems are satisfactory. However, the project is trying to involve the city Administrations in the implementation phase, unfortunately there is no modality for passing the money down from central government to the Cities. If the project follows the path of Design, Build, Operate contracts then Annex 9 also caters for that. Staff have been trained in ADB's CPD system which will be adopted for this project, so the safeguards in that process are taken into account. However, given the lack of decision on the procurement modality the funds flow assessment of **risk at this point is high**.

1-82. Internal audit is not automatic and needs to be requested. **Audits are focused on omissions and miss-calculations not on internal controls so risk is considered high.**

5.4. Personnel, accounting policies and procedures, internal control, internal and external audit

1-83. The project has reviewed the proposed implementation arrangements at all levels – national, central SATKER, provincial SATKER and City administrations, using ADB's FMAQ, interviews with key staff and related agencies. The EA is very experienced in handling ADB projects, however this project is unique due the entire focus being on sewer sanitation systems and the construction of Wastewater Treatment Facilities. The arrangements are satisfactory but there will be a very necessary need for advance action to train staff prior to project implementation.

1-84. Post construction also presents a problem in that City Administration do not have the capacity to run the systems – except for Bekasi where they have a very good on-sight sanitation service which is operating satisfactorily. Capacity building will be require prior to handover of the facilities.

5.5. Financial reporting systems, including use of information technology

1-85. The Government has adequate computerised accounting systems and has implemented many ADB projects in the past. The computerised system is continually being updated. In creating PIUs (SATKERS) for the project it may need capacity building for each PIU in ADB systems. Therefore, the **risk is rated Low to Moderate**.

5.6. Disbursement arrangements, funds flow mechanism

1-86. Refer to Annexes 13 to 16 for the full structure of the funds flow arrangements.

1-87. Systems appear robust and accountable through checks and balances. Staff at the national level have been training in the Client Portal for Disbursement (CPD) but at the lower level where the project will use ADB's CPD system training will be required at all these levels.

A1-6. Risk Description & rating – Financial Management & Internal Control Risk

6.1. PPLP FMA (EA) (Summary)

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
1 Country Specific	High	Loan covenant to ensure more resources directed to the sanitation sector
1 Entity Specific	Moderate	Loan covenant to ensure inclusion of physical performance with financial performance and implementation of a robust collection system for tariffs
Overall Inherent Risk	Substantial	
1 Implementing entity	Substantial	EA must embark on advance action to train all staff at central, provincial and city levels to ensure each level is aware of its responsibilities
2 Funds Flow	High	Ensure capacity building is completed for ADB CPD system and for handling all documentation and disbursement policies and procedures
3 Staffing	Low	Monitor appointment of staff and ensure all positions are filled at all levels
4 Accounting policies & procedures	Substantial	Loan Covenant is inserted to ensure soft copies of transactions are retained in accordance with ADB Guidelines.
5 Internal Audit	High	Loan covenant to specify periodic internal audits
6 External Audit	Low	Monitor quality of external audit
7 Reporting & Monitoring	High	Design and adopt a contract management system
8 Information Systems	High	Design and adopt an accounting system as an add-on module to government accounting system to produce ADB report thereby reducing reliance on excel based accounting
Overall Project Risk	High	
Overall (Combined) Risk	Substantial	

6.2. PPLP FMA (EA) Risk Impact & Mitigation Assessment

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk				
According to the PEFA May 2018 there are still some weaknesses related to the strategic allocation of resources, the accountability of budget implementation and the efficient delivery of public services. These are areas in which reform efforts	High	Likely	High	Among the most important of ongoing efforts to tackle the allocation of resources are: (i) improving budget credibility by strengthening the budget forecast, establishing consistent budgeting framework, and increasing revenue mobilization and compliance of tax

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
are being made but where these efforts have yet to realize full performance based on this assessment.				<p>and non-tax collection; (ii) improving the system capacity to deliver infrastructure outcomes by harmonizing the selection, implementation and monitoring of capital expenditure with formal guidelines and oversight, efficient management of public assets, as well as consolidation and monitoring of public procurement operations; (iii) the inclusion in the budget of performance information, linking resource planning in the most appropriate manner for better service delivery; (iv) promoting effective reporting of subnational budget execution; and (iv) strengthening internal audit and external audit, and control measures.</p> <p>This is particular important for effective wastewater services which for so long have received very little allocations. The collection system for wastewater tariff needs to have an effective system for collection, handling of complaints and following up on non-payment.</p> <p>The Financial analysis indicates the project is most vulnerable to reduction in revenue collection.</p>
<p>Entity Specific – The management structure, under the Executing Agency (EA = DJCK Direktorat Jenderal Cipta Karya, Directorate General of Human Settlements) is headed by the Implementing Agency (IA) of a Direktorat called “Pengembangan Penyehatan Lingkungan Pemukiman” (PPLP) and its sub-unit “Directorate of Environmental Sanitation Development”. A “SATKER PPLP Strategis” will be created in PPLP. There will</p>	Low	Likely	Moderate	<p>A clear organizational structure must be included in a manual specifically for this project and it should be as detailed as possible to avoid the mistakes that can occur in communications with this amount of management complexity.</p> <p>Implementation of projects are becoming increasingly complex and require very good contract administration. It is recommended that a computerized contract management system is set up in each of the provincial</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
be three (3) SATKERs (PIUs) in each of the three (3) provinces where the three (3) cities are located. It is also possible that there will be a Project Implementation or supervision Unit (PIU) in each of the City Administrations which will add to the complexity of the management framework. Refer to Annex 8 for the full structure. Given that all these entities are part of the traditional government implementation structure, except for the inclusion of the City Administrations, the management complexity might be problematic for reporting, procurement and contract management.				SATKERs and PPLP SATKER Strategis to cover both physical and financial performance targets.
Overall Inherent Risk			High	
Control Risk				
1. Oversight Agency - The traditional structure of implementing projects is very hierarchical with as many as 6 steps down to the contractor implementing the works / goods or services. Risk is twofold – too many steps leads to errors and secondly processing is slowed	Moderate	Likely	Moderate	Monitor
If the modality of DBO is used then the oversight maybe a bit simpler and therefore less of a risk with fewer steps in the implementation process. However, the main risk is that the EA has not implemented a DBO contract before and does it want to get involved in operations at the end of the construction period.	Substantial	Likely	High	The Satkers in Bekasi and Mataram have no experience in ADB Projects, it is therefore recommended that full training be given to these Satkers.
2. Funds Flow - Refer to Annex 8 for the full structure of the funds flow arrangements. If the project follows a traditional implementation	High	Likely	High	It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>path the systems are satisfactory. Staff have been trained in ADB's CPD system which will be adopted for this project, so the safeguards in that process are taken into account. Risk is considered Low.</p> <p>However, the project is trying to involve the City Administrations in the implementation phase, unfortunately there is no modality for passing the money down from central government to the Cities. If the project follows the path of Design, Build, Operate contracts then Annex 9 also caters for that. If this is the preferred procurement modality the funds flow assessment of risk at this point is high.</p>				<p>then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.</p>
<p>3. Staffing - The priority is to fill key positions and staff of SATKER from civil servants within Directorate PPLP. If insufficient, then SATKER will recruit from outside for consultants who have previously worked in the PU project. Risk ranking on all other aspects of staffing is low, and therefore overall risk is rated Low</p>	Low	Unlikely	Low	<p>Project staff will be provided with Manuals and plenty of ADB guidelines – they will need practical training in these policies, processes and procedures. It is recommended that the capacity building program include training on disbursement, financial management, reporting, internal and external audit.</p>
<p>4. Accounting Policies and Procedures - The Government has adequate computerized accounting systems and has implemented many ADB projects in the past. The computerized system is continually being updated. In creating PIUs (SATKERS) for the project it may need capacity building for each PIU in ADB systems. Therefore, the risk is rated Moderate.</p>	Substantial	Unlikely	Moderate	<p>In ADB Regulations outlined in the <i>Loan Disbursement Handbook</i> (2017), paragraph 4.32 "The borrower is required to retain all records (e.g., contracts, purchase orders, invoices, bills, receipts, sub-loan agreements) evidencing eligible expenditures and to enable ADB's representative to examine such records. Such records¹⁷ should be retained for at least 1 year following receipt by ADB of the final APFS or 2 years after the loan closing date, whichever is</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>The Ministry of Finance (in accordance with PP 71/2010) has developed an accounting system called Sistem Akuntansi Instansi Berbasis Akrua (SAIBA), which is an accrual-based accounting system for government agencies.</p> <p>The SAIBA enables preparation of financial reports in stages starting from the SATKERs, regions, Echelon 1, and ministry level. This accounting system was developed by the Directorate General of Treasury of the Ministry of Finance. It is mandatory for use by all SATKERs in Indonesia.</p> <p>The major risk is in retention of documents – hard copy 5-years and soft copy only 1-year.</p> <p>There is a record of slow implementation and delays in payment and non-recording</p>	High	Likely	High	<p>later.18 Borrowers are responsible for ensuring that document retention also complies with their government's laws and regulations".</p> <p>In answer to Question 4.6 in the FMAQ it states that the Indonesian Government accounting records, including supporting documents, have to be retained for 5 years however, the soft copy is usually only retained for one year. It is recommended that a Loan Covenant is inserted to ensure soft copies of transactions are retained in accordance with ADB Guidelines, noted above.</p> <p>A contract management system will have to be set up at the SATKER provincial and central Government SATKER.</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
of physical and financial performance is a risk to the pace and accuracy of project implementation.				
5. Internal Audit - Internal audit is not automatic and needs to be requested.	Moderate	Likely	High	Therefore it is recommended that a covenant be inserted in Loan documents to cover periodic internal audits. In addition, Audits are focused on omissions and miss-calculations not on internal controls so risk is assessed as high, therefore it is recommended that the project approach this in two different ways; (i) provide training for internal audit staff on internal control audits and (ii) provide an internal audit manual.
6. External Audit - Auditing standard by BPK uses SPKN and ISA. BPK well versed in auditing ADB projects, low risk	Low	Unlikely	Low	It is recommended that the project should provide audit manuals to external audit to ensure auditors follow and provide the required level of expertise for ADB projects.
7. Reporting and Monitoring - Financial reports are prepared by the government accounting electronic system which is quite efficient. However for some ADB requirements the reports may need to be adjusted using Excel spreadsheets. The risk is that this type of accounting can be manipulated without good controls and supervision.	High	Likely	High	Therefore, it is recommended that a computerized interface be designed for the government information management system to produce ADB reports format to meet the requirements of ADB reporting, thus negating the possibility of manipulation of reports.
8. Information Systems - Financial reports are prepared by the government accounting electronic system which is quite efficient. However, for some ADB requirements the reports may need to be adjusted using Excel spreadsheets. This type of accounting can be manipulated without good controls and supervision.	High	Likely	High	Refer to mitigation for reporting and monitoring
Overall Control Risk			High	

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Overall (Combined) Risk			Substantial	

6.3. Banda Aceh City Administration [Summary]

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
1 Country Specific	Moderate	There are two levels of mitigation (i) ADB to continue to support local government in FMIS and financial management, and (ii) for this project a loan covenant that locks in a certain level of central transfers until construction is completed.
1 Entity Specific	Moderate	Loan Covenant to ensure all city staff are trained well in Information Technology
Overall Inherent Risk	Moderate	
1 Implementing entity	Low	Monitor Implementation
2 Funds Flow	High	It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.
3 Staffing	Low	It is recommended that the capacity building program include training on disbursement, financial management, reporting, internal and external audit.
4 Accounting policies & procedures	Low	These systems should be reviewed with periodic ADB missions – recommendation to monitor
5 Internal Audit	High	It is recommended that the project approach this in two different ways; (i) provide training for internal audit staff on internal control audits and (ii) provide an internal audit manual.
6 External Audit	Low	Monitor quality of external audit
7 Reporting & Monitoring	High	Design and adopt a contract management system
8 Information Systems	Low	Monitor
Overall Project Risk	Moderate	
Overall (Combined) Risk	Moderate	

6.4. Banda Aceh City Risk Impact & Mitigation Assessment

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk				
Local government is accountable for its own financial administration. LG is also required to prepare annual financial statements to be submitted to MOF.	High	Likely	Moderate	ADB is among the main development partners at the subnational level. ADB's Local Government Finance and Governance Reform (LGFR) programs has supported PFM strengthening at the subnational level, especially in the implementation of a computerized Financial
Transfer to subnational governments constitutes about 50 percent of the				

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>national budget in Indonesia (excluding subsidies and interest payments). The main institution responsible for managing intergovernmental transfers is DG Fiscal Balance (DJPK), in the MOF, responsible for preparing the presidential decree on the allocation of all intergovernmental transfers to individual districts, and overseeing the disbursement of these transfers. The role of Ministry of Home Affairs (MOHA) is to facilitate the implementation, such as ensuring that technical guidelines are issued in a timely manner for the subnational governments to implement their budgets. The intergovernmental fiscal transfer system in Indonesia consists of several types of grants, as follows:</p> <p>DAU (General Allocation Fund) is a block grant provided to provinces (the first tier of local government), and kabupaten/kota (districts/cities, the second tier of local government);</p> <p>DBH (Revenue Sharing Fund) is a part of national revenue that is shared with provinces and districts/cities. The revenue stream being shared includes personal income tax, property tax (mining and plantation segments), natural resource revenues (oil, gas, other mining, forestry, fishery), and tobacco excise;</p> <p>DAK (Special Allocation Fund) is an earmarked grant to finance special</p>				<p>Management Information System (FMIS) at 171 regional locations. In addition to the State Audit Reform Sector Development Program, other projects/programs include: the Sustainable Capacity Building for Decentralization Project; the Local Government Finance and Government Reform Sector Development Program; and the Local Government Finance and Government Reform Sector Development Project. The Fourth Development Policy Support Program included outputs for improved PFM and governance, as well as the delivery of public services. ADB provided support to the performance management system as well as the fiscal and public expenditure management program to strengthen public sector accountability through BPKP. Government of Switzerland, through ADB, is also providing support to DF Fiscal Balance of MoF and several local governments to increase local own-source revenues and tax compliance rates by improving the tax administration and policy-making capacity of the local governments.</p> <p>There are two levels of mitigation (i) ADB to continue to support local government in FMIS and financial management, and (ii) for this project a loan covenant that locks in a certain level of central transfers until construction is completed.</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>activities under local government authority. DAK consists of DAK Fisik, mainly for financing capital expenditures, and DAK Non Fisik, mainly to provide additional financing for the operational cost of service delivery, for instance through school and health center operational assistance (BOS and BOK);</p> <p>Dana Desa (Village Fund) is a block grant provided to villages (the lowest tier of autonomous local government), and is the newest intergovernmental grant introduced through the implementation of the Village Law in 2015; and</p> <p>Other types of transfers, including the Special Autonomy Fund for Aceh and Papua, the special fund for Yogyakarta, and regional incentive grants (DID) distributed to local governments according to their rank in performance rating from the MOF.</p> <p>The risk to the City is the level of support from the central government and for Aceh in particular central transfers represent on average over the last 5-years 65.9% for total operational budget</p>				
<p>Entity Specific – The program objectives and respective key performance indicators for the planned outputs and outcomes to be financed through the central government budget are published annually in the national work plan (RKP). Based on Presidential Decree No.</p>	Low	Likely	Moderate	Loan Covenant to ensure all city staff are trained well in Information Technology

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>45/2016, RKP 2017 aims to provide: (i) a reference for the government preparing the 2017 draft budget; (ii) guidance for K/L in preparing their respective work plans (Rencana Kerja/ Renja); and (iii) a reference for local governments in preparing their local government annual work plans for 2017.</p> <p>E-Procurement has gained momentum; however it has not been able to fully capture the whole procurement process and information electronically. There has been a rapid increase in the number of provinces and local governments using e-procurement. Recent data indicate that around 33 provincial governments and 681 regional governments and government institutions have introduced e-procurement. In Indonesia, e-procurement has reduced delays in the completion of public works projects. The government has been strengthening the procurement process through the implementation of e-procurement, limiting the use of unnecessary pre-qualifications and improving the capacity of the audit agencies. All these efforts are new to city administrations and this cause implementation delays.</p>				
Overall Inherent Risk			Moderate	
Control Risk				
<p>9. Oversight Agency - Dinas LHK3 (Environmental and Cleanliness Agency) is an organization under the city government. The agency</p>	Low	Unlikely	low	Monitor

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
has experience with implementing projects and there were grants from JICA and UNICEF for WWTP development with the capacity of 50m ³ /day and 60 m ³ /day respectively. In 2015 the central government of Indonesia funded the building of a US \$7.5 million wastewater treatment plant. The plant was scheduled for completion in 2017. The risk is considered low for difficulties in startup and implementation in Aceh due to previous experience.				
<p>10. Funds Flow - National/local budget fund flows: proposed project budget >APBD (local budget) >input data to SIPKD (local financial management information system) >bidding >winner >SPK (working commencement letter) and contract >physical progress >payment request (approved by LHK3) in the format of SPP/SPM >payment by BPKK (local financial management agency) issued SP2D >data input to SIPKD.</p> <p>Challenges in the past have been unexpected physical progress and delays and mistakes in bidding processes. This is a very generic funds flow structure, however for the project we are recommending a slightly</p>	High	Likely	High	<p>It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>different approach to safeguard and account for ADB funds. They have not had experience with foreign currency transactions for the last 5-years and no experience with ADB.</p> <p>There is a risk that the project might experience delays.</p>				
<p>11. Staffing - The financial organization structure is a part of the LHK3 Secretary's division. Project management would be in the section of waste water and dangerous substance. It has 6 staff and new staff would be needed according to the project scale. The financial staff comprises ones dealing with capital expenditure, and direct and indirect expenses. They have bachelor degree in accountancy and economics and get training regularly from MOF and Inspectorate agency.</p>	Low	Unlikely	Low	<p>Project staff will be provided with Manuals and plenty of ADB guidelines – they will need practical training in these policies, processes and procedures. It is recommended that the capacity building program include training on disbursement, financial management, reporting, internal and external audit.</p>
<p>12. Accounting Policies and Procedures - LHK3 has online integrated accounting system with BPKK (local financial agency) i.e. SIPKD. The project budget allocation must be in accordance with APBD so there would be no divergent payment because the Project account code must adequately match with its budget account code in line with MOF policy before payment. If the project</p>	Low	Unlikely	Low	<p>These systems should be reviewed with periodic ADB missions – recommendation to monitor</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>account code does not yet exist the financial section needs to request one from BPKK.</p> <p>The general ledger and subsidiary ledgers are reconciled monthly between the LHK3 and BPKK. Actions are taken on the spot to investigate and resolve any differences.</p> <p>Accounting records, including supporting documents, are retained for 5 years in LHK3 vault that easy access, while accounting records and documents over 5 years are retained in the government library and archives warehouse.</p> <p>Budgeting is generally acceptable. PEFA rules are that expenditure should be either + or – 5% of budget for budgeting mechanism to be credible and in 2016 fiscal year, the budget absorption was of 98%</p>				

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>and in 2017 of 97%.</p> <p>Accounting policies and procedures are well defined and there seems to be little transaction risk in day to day finances.</p> <p>Audit findings are usually addressed, but some of the asset recording is lacking or incomplete and supporting documentation is difficult to validate.</p>				
<p>13. Internal Audit - Internal Audit is carried out by the “Inspectorate agency”. The level of Inspectorate agency is rated 3 out of a 5 scale. The staff number is 28 comprising 21 auditor staff and 7 non-auditor staff. Their education background: 2 persons of bachelor degree in accounting and 19 persons of bachelor degree in economics /management. Their experience: 11 persons with <10 years and 10 person with >10 years. The Inspector (Head of Inspectorate agency) reports to the city mayor. The project will be audited by the Inspectorate. The risk is that as the city has not implemented a project the size of this that the audit division may not understand the ADB requirements</p>	Moderate	Likely	High	<p>It is recommended that the project approach this in two different ways; (i) provide training for internal audit staff on internal control audits and (ii) provide an internal audit manual.</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>14. External Audit - Reports are audited every 6 month by The Audit Board of the Republic of Indonesia (BPK) which is external auditor. BPK reviews the LHP (audit internal report by Inspectorate) and arranges its audit program accordingly. Auditing standards used by BPK are SPKN and ISA. Banda Aceh has received unqualified audits over the last 5-years consecutively. BPK frequently uses a public accountant particularly in auditing a certain SKPD.</p>	Low	Unlikely	Low	It is recommended that the project should provide audit manuals to external audit to ensure auditors follow and provide the required level of expertise for ADB projects.
<p>15. Reporting and Monitoring - PPTK (Technical Activity Management Official) of LHK3 conducting monitoring and evaluation to the implementation, and also preparing its progress report form D1.</p> <p>Physical progress and financial report is to be prepared by PPTK through providing S Curve.</p> <p>Physical progress and financial report is arranged monthly and submitted to SKPD (the city departments) every Wednesday.</p>	High	Likely	High	Therefore it is recommended that a computerized interface be designed for the government information management system to produce ADB reports format to meet the requirements of ADB reporting, thus negating the possibility of manipulation of reports.
<p>16. Information Systems - The city has an integrated and online computer system across all the city departments called the "SIPKD system". The software is customized by SIPKD laboratory which</p>	Low	Unlikely	low	Recommended to monitor

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
attends to periodic system updating.				
Risk is low as the system is robust				
Overall Control Risk			Moderate	
Overall (Combined) Risk			Moderate	

6.5. Bekasi City Administration [Summary]

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
1 Country Specific	Moderate	There are two levels of mitigation (i) ADB to continue to support local government in FMIS and financial management, and (ii) for this project a loan covenant that locks in a certain level of central transfers until construction is completed.
1 Entity Specific	Moderate	Loan Covenant to ensure management of implementing agency are trained well
Overall Inherent Risk	Moderate	
1 Implementing entity	Low	Monitor Implementation
2 Funds Flow	High	It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.
3 Staffing	Low	It is recommended that the capacity building program include training on disbursement, financial management, reporting, internal and external audit.
4 Accounting policies & procedures	High	Recommendation to have a loan covenant to ensure counterpart funds are available on a timely basis.
5 Internal Audit	High	It is recommended that the project approach this in two different ways; (i) provide training for internal audit staff on internal control audits and (ii) provide an internal audit manual.
6 External Audit	High	It is recommended that the city establish an audit committee for review of audit reports – the committee should table its finding to the council meetings.
7 Reporting & Monitoring	High	Design and adopt a contract management system
8 Information Systems	Low	Monitor
Overall Project Risk	High	
Overall (Combined) Risk	Substantial	

6.6. Bekasi City Risk Impact & Mitigation Assessment

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk				
Local government is accountable for its own	High	Likely	Moderate	ADB is among the main development partners at the

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>financial administration. LG is also required to prepare annual financial statements to be submitted to MOF.</p> <p>Transfer to subnational governments constitutes about 50 percent of the national budget in Indonesia (excluding subsidies and interest payments). The main institution responsible for managing intergovernmental transfers is DG Fiscal Balance (DJPK), in the MOF, responsible for preparing the presidential decree on the allocation of all intergovernmental transfers to individual districts, and overseeing the disbursement of these transfers. The role of Ministry of Home Affairs (MOHA) is to facilitate the implementation, such as ensuring that technical guidelines are issued in a timely manner for the subnational governments to implement their budgets. The intergovernmental fiscal transfer system in Indonesia consists of several types of grants, as follows:</p> <p>DAU (General Allocation Fund) is a block grant provided to provinces (the first tier of local government), and kabupaten/kota (districts/cities, the second tier of local government);</p> <p>DBH (Revenue Sharing Fund) is a part of national revenue that is shared with provinces and districts/cities. The revenue stream being shared includes personal income tax, property tax (mining and plantation segments), natural resource revenues (oil, gas, other mining, forestry, fishery), and tobacco excise;</p> <p>DAK (Special Allocation Fund) is an earmarked grant to finance special activities under local government authority. DAK consists of DAK Fisik, mainly for financing</p>				<p>subnational level. ADB's Local Government Finance and Governance Reform (LGFR) programs has supported PFM strengthening at the subnational level, especially in the implementation of a computerized Financial Management Information System (FMIS) at 171 regional locations. In addition to the State Audit Reform Sector Development Program, other projects/programs include: the Sustainable Capacity Building for Decentralization Project; the Local Government Finance and Government Reform Sector Development Program; and the Local Government Finance and Government Reform Sector Development Project. The Fourth Development Policy Support Program included outputs for improved PFM and governance, as well as the delivery of public services. ADB provided support to the performance management system as well as the fiscal and public expenditure management program to strengthen public sector accountability through BPKP.</p> <p>Government of Switzerland, through ADB, is also providing support to DF Fiscal Balance of MoF and several local governments to increase local own-source revenues and tax compliance rates by improving the tax administration and policy-making capacity of the local governments.</p> <p>There are two levels of mitigation (i) ADB to continue to support local government in FMIS and</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>capital expenditures, and DAK Non Fisik, mainly to provide additional financing for the operational cost of service delivery, for instance through school and health center operational assistance (BOS and BOK);</p> <p>Dana Desa (Village Fund) is a block grant provided to villages (the lowest tier of autonomous local government), and is the newest intergovernmental grant introduced through the implementation of the Village Law in 2015; and</p> <p>Other types of transfers, including the Special Autonomy Fund for Aceh and Papua, the special fund for Yogyakarta, and regional incentive grants (DID) distributed to local governments according to their rank in performance rating from the MOF.</p> <p>The risk to the City is the level of support from the central government and for Aceh in particular central transfers represent on average over the last 5-years 48% for total operational budget</p>				financial management, and (ii) for this project a loan covenant that locks in a certain level of central transfers until construction is completed.
<p>Entity Specific – Dinas Perkimtan (Housing, Settlement Supervision and Land Local Agency) is an organization under the city government of Bekasi. It established by Perda no.7/2016 about The Formation of The City of Bekasi Agencies and Perwali no.91/2016 on The Organization Structure, Main Duti and Function of Dinas Perkimtan. The agency has just established in 2017 which a merger of the cleanliness agency and the settlement agency. As this is a new Agency there may be some 'teething' problem with management for a couple of years</p>	Low	Likely	Moderate	Loan Covenant to ensure management are trained well
Overall Inherent Risk			Moderate	

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Control Risk				
17. Oversight Agency - The agency is independent and its head is responsible to the city mayor. Thus giving a fair degree of discretion in its management of wastewater. The agency has UPTD PAL (implementation unit for WWM) which has been in operation since 2013. The risk is that the experienced staff of this unit may leave.	Low	Unlikely	Low	Monitor
18. Funds Flow - There is an existing operation since 2013 dealing with other aid agencies in WWM. There is an existing funds flow pattern for the local budget (APBD) and disbursement complies with national policies and procedures. In the past there has been project delays due to unexpected physical progress delays and mistakes in bidding processes. There is no experience with implementing ADB projects.	High	Likely	High	It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.
19. Staffing - Staff have no experience of ADB Projects. Staffing levels made require new staff to accommodate the project. Most existing staff have financial accounting and economic background with experience of more than three years. The city has its own training agency which includes a training program for finance and accounting staff. Other training and workshops are held every year regarding the compliance of financial report preparation. The lack of experience may cause delays in project implementation.	Low	Unlikely	Low	Project staff will be provided with Manuals and plenty of ADB guidelines – they will need practical training in these policies, processes and procedures. It is recommended that the capacity building program include training on disbursement, financial management, reporting, internal and external audit.
20. Accounting Policies and Procedures - The organization will use the accounting system established by BPKAD namely SIMDA which was developed in 2007 by BPKP. SIMDA records all financial activity, budget, administration, and financial and performance reporting. It is a master system incorporating	High	Likely	High	Recommendation to have a loan covenant to ensure counterpart funds are available on a timely basis.

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>other applications used for planning, budgeting, procurement, revenue/income, staffing and asset management as well. Bekasi has also developed their own application namely PRODGET (project budget planning) to prepare the planning budget which is expected to be connected with the main SIMDA. This will need to be assessed to ensure it can generate the reports requirement by ADB.</p> <p>Unlike the budgeting process in Banda Aceh the variation between actual expenditure and budgets is a variance of between 13-18% of budget.</p> <p>Original documents for purchasing, invoicing, requisitions and receipts are kept in the agency vault and its copies submitted to BPKAD for payment.</p>				
<p>21. Internal Audit - Internal auditing is conducted by the Local Inspectorate Office which is one of a city agency according to Perda 18/2016 on the local department structure format of Bekasi. Internal Audit reports to the Mayor. It's a long time since they have done an ADB audit. The risk is that as the city has not implemented a project the size of this that the audit division may not understand the ADB requirements</p>	Moderate	Likely	High	It is recommended that the project approach this in two different ways; (i) provide training for internal audit staff on internal control audits and (ii) provide an internal audit manual.
<p>22. External Audit - There is no audit committee at the city government. Coordination meeting between SKPD and the mayor is attended by Inspectorat instead of BPK.</p>	High	Likely	High	It is recommended that the city establish an audit committee for review of audit reports – the committee should table its finding to the council meetings.

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
BPK frequently uses a public accountant particularly in auditing a certain SKPD. There is no evidence to suggest the current external auditor has audited ADB projects. There have been issues with bidding documents and contract agreements.				
Risk that with no audit committee that audit recommendations may not be implemented.				
Reporting and Monitoring - Reporting and monitoring are reported to be on track, but again no ADB experience.	High	Likely	High	Therefore it is recommended that a computerized interface be designed for the government information management system to produce ADB reports format to meet the requirements of ADB reporting, thus negating the possibility of manipulation of reports. Recommended to monitor
Information Systems - Training of application program of SIMDA by BPKP representative. Training for RKAS amendment system input by the Lab of SIMDA. Training and socialization of government internal control. Risk is low as the system is robust	Low	Unlikely	low	
Overall Control Risk			High	
Overall (Combined) Risk			Substantial	

6.7. Mataram City Administration [Summary]

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
1 Country Specific	Moderate	There are two levels of mitigation (i) ADB to continue to support local government in FMIS and financial management, and (ii) for this project a loan covenant that locks in a certain level of central transfers until construction is completed.

1 Entity Specific	Moderate	Loan Covenant to ensure management of implementing agency are trained well
Overall Inherent Risk	Moderate	
1 Implementing entity	Low	Monitor Implementation
2 Funds Flow	High	It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.
3 Staffing	Low	It is recommended that the capacity building program include training on disbursement, financial management, reporting, internal and external audit.
4 Accounting policies & procedures	Low	Recommendation to have a loan covenant ensuring training is continuous
5 Internal Audit	High	It is recommended that the city establish an audit committee for review of audit reports – the committee should table its finding to the council meetings.
6 External Audit	High	It is recommended that the city establish an audit committee for review of audit reports – the committee should table its finding to the council meetings.
7 Reporting & Monitoring	High	Design and adopt a contract management system
8 Information Systems	High	Loan covenant to bring Mataram into the main government IT systems
Overall Project Risk	High	
Overall (Combined) Risk	Substantial	

6.8. Mataram City Risk Impact & Mitigation Assessment

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk				
Local government is accountable for its own financial administration. LG is also required to prepare annual financial statements to be submitted to MOF.	High	Likely	Moderate	ADB is among the main development partners at the subnational level. ADB's Local Government Finance and Governance Reform (LGFR) programs has supported PFM strengthening at the subnational level, especially in the implementation of a computerized Financial Management Information System (FMIS) at 171 regional locations. In addition to the State Audit Reform Sector Development Program, other projects/programs include: the Sustainable Capacity Building for Decentralization Project; the Local Government Finance and Government Reform Sector
Transfer to subnational governments constitutes about 50 percent of the national budget in Indonesia (excluding subsidies and interest payments). The main institution responsible for managing intergovernmental transfers is DG Fiscal Balance (DJPK), in the MOF, responsible for preparing the presidential decree on the allocation of all intergovernmental transfers to individual districts, and overseeing the disbursement of these				

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>transfers. The role of Ministry of Home Affairs (MOHA) is to facilitate the implementation, such as ensuring that technical guidelines are issued in a timely manner for the subnational governments to implement their budgets. The intergovernmental fiscal transfer system in Indonesia consists of several types of grants, as follows:</p> <p>DAU (General Allocation Fund) is a block grant provided to provinces (the first tier of local government), and kabupaten/kota (districts/cities, the second tier of local government);</p> <p>DBH (Revenue Sharing Fund) is a part of national revenue that is shared with provinces and districts/cities. The revenue stream being shared includes personal income tax, property tax (mining and plantation segments), natural resource revenues (oil, gas, other mining, forestry, fishery), and tobacco excise;</p> <p>DAK (Special Allocation Fund) is an earmarked grant to finance special activities under local government authority. DAK consists of DAK Fisik, mainly for financing capital expenditures, and DAK Non Fisik, mainly to provide additional financing for the operational cost of service delivery, for instance through school and health center operational assistance (BOS and BOK);</p> <p>Dana Desa (Village Fund) is a block grant provided to villages (the lowest tier of autonomous local government), and is the newest intergovernmental grant introduced through the implementation of the Village Law in 2015;</p> <p>and</p> <p>Other types of transfers, including the Special Autonomy Fund for Aceh and Papua, the special fund for Yogyakarta, and</p>				<p>Development Program; and the Local Government Finance and Government Reform Sector Development Project. The Fourth Development Policy Support Program included outputs for improved PFM and governance, as well as the delivery of public services. ADB provided support to the performance management system as well as the fiscal and public expenditure management program to strengthen public sector accountability through BPKP.</p> <p>Government of Switzerland, through ADB, is also providing support to DF Fiscal Balance of MoF and several local governments to increase local own-source revenues and tax compliance rates by improving the tax administration and policy-making capacity of the local governments.</p> <p>There are two levels of mitigation (i) ADB to continue to support local government in FMIS and financial management, and (ii) for this project a loan covenant that locks in a certain level of central transfers until construction is completed.</p>

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
regional incentive grants (DID) distributed to local governments according to their rank in performance rating from the MOF.				
The risk to the City is the level of support from the central government and for Aceh in particular central transfers represent on average over the last 5-years 73.3% for total operational budget				
Entity Specific – Environment agency (LH, for operational of the facility built; by Department of Solid Waste, Waste Water and Dangerous Effluent [B3]). Wholly owned by the City Administration. Site visit revealed that wastewater was a very low priority which is a risk to the project.	High	Likely	High	Loan Covenant to ensure sanitation is given management priority
Overall Inherent Risk	Moderate			
Control Risk				
23. Oversight Agency - Mataram has a dedicated department for Waste Water Management (WWM). The structure is attached in Annex. The Operator reports directly to the Mayor. The risk is low given that the mayor has made this a priority.	Low	Unlikely	Low	Monitor
24. Funds Flow - Mataram has provided a very clear funds flow arrangement. Also provided in Annex 7 and to the FMAQ in Annex 4.	High	Likely	High	It is not recommended to have implementation at the City level. If the City Administration is to engaged it should be on project implementation monitoring and evaluation and then reporting back to the SATKER. This project is too big and complex for first time City management, so it is recommended that the traditional modality for project implementation be followed.
25. Staffing - Existing staff will be used, who are all on long term contracts. If new expertise is needed they will be hired. Position descriptions are not provided. No real risk.	Low	Unlikely	Low	It is recommended to monitor

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
Accounting Policies and Procedures - Staff have been trained by the central Government on the switching from cash based accounting to accrual based accounting and this training is on-going. The accounting system has been provided by the national government and the CoA follows MoF Regulation no.160/PMK.05/2015. Provided training is ongoing this is low risk	Low	Unlikely	low	Recommendation to have a loan covenant ensuring training is continuous
26. Internal Audit - Reports to the Mayor of Mataram and not to an audit committee. They have good system to follow up on audit management letters. Audit staff have been in tenure for more than 5-years. Risk, that matters can be overrules by one person instead of a committee.	High	Likely	High	It is recommended that the city establish an audit committee for review of audit reports – the committee should table its finding to the council meetings.
27. External Audit - There is no audit committee at the city government. Meets with the Mayor without Management. External Audit has good understanding of ADB policies, processes and procedures. Risk that, as with internal audit, recommendations may not be implemented.	High	Likely	High	It is recommended that the city establish an audit committee for review of audit reports – the committee should table its finding to the council meetings.
Reporting and Monitoring - Reporting regime is adequate, but may not produce ADB format reports.	High	Likely	High	Therefore it is recommended that a computerized interface be designed for the government information management system to produce ADB reports format to meet the requirements of ADB reporting, thus negating the possibility of manipulation of reports.
Information Systems - The department has off-the-shelf software, with specified modules. Risk is	High	Likely	High	Recommended to introduce covenant to bring Mataram on line with government accounting systems.

Risk Description	Impact	Likelihood	Risk Assessment	Mitigation Measures or Risk Management Plan
high for off-the-shelf systems outside of the government main frame system and therefore information can be manipulated without external supervision of transactions.				
Overall Control Risk			High	
Overall (Combined) Risk			High	

A1-7. Proposed Time-Bound Action Plan

Time-bound Action Plans			
Weakness	Mitigation Actions	Responsibility	Timeframe
The sanitation sector at national and sub-national level suffers from lack of budgetary allocation	It is recommended that a loan covenant be constructed to ensure an appropriate level of funding is allocated to the sanitation sector both at national and sub-national levels and in particular in the 3 target cities of Mataram, Bekasi and Banda Aceh.	Executing Agency	The budgets for 2019 should reflect and demonstrate and increasing allocation of budget fund to the sanitation sector
As alluded to in the PEFA, collection systems for tariffs and taxes are weak throughout the country. The capacity at the City level is also weak.	Sanitation tariffs should be the responsibility of the PDAM's in each city as they already have existing systems. However, even the existing systems are weak for they should a review and training program to improve the systems	City Administrations	Before commencement of the project an agreement needs to be made with each PDAM, this will include the negotiating of a management fee and transfers of collections to the City accounts.
Executing agency does not maintain original supporting documents, and there is no document retention policy	At the project level, initiate procedure for safe custody of original supporting documents including safe storage, and retention period, access control, etc. Initiate policy dialogue to persuade the management to adopt a similar policy for the enterprise.	Implementing agency and ADB	Policy to be adopted and implemented at project level as a condition for disbursement Enterprise level dialogue to be continued until satisfactory resolution is achieved.
Staff in the Indonesian government at national and sub-national level are not familiar with BDO system of implementation.	If BDO is the selected implementation system then all staff need to be trained	Implementing agency and ADB	Advance action required in training for procurement and implementation procedures for this type of contract.
ADB Policies and Procedures have been updates and even existing staff may not be aware of these changes	All staff engaged under this project should be fully trained and re-orientated as ADB has made great strides over the past 2-years to update	The PAM will reflect all the roles and responsibilities of each entity and all staff should be familiar with this. However, ADB	This should also be covered in advance action and project readiness actions.

Time-bound Action Plans			
Weakness	Mitigation Actions	Responsibility	Timeframe
	policies, manual and procedures.	should provide direct training to the staff involved in this project.	
Contract management is weak thus causing delay in implementation and disbursements	Provide the SATKERs at provincial level with a Contract Management Tool monitoring both physical and financial performance	EA and ADB	This system should be available prior to project commencement
ADB Reporting could be manipulated, with possibility of human errors by using excel based consolidation	An add-on module be developed to produce ADB report from the mainframe accounting system.	EA and ADB	This system should be available prior to project commencement

A1-8. Suggested Financial Management Covenants

1-88. Arising out of the FMAQ, the summaries above and the completed risk assessments above the SSDP project has the following recommendations to make concerning the implementation of this project.

1-89. **Inherent Country level:** the financial analysis demonstrates at the national and local governments the budget allocations to the sanitation are too small to make operations within sector self-sustaining. It is recommended that a loan covenant be constructed to ensure an appropriate level of funding is allocated to the sanitation sector both at national and sub-national levels and in particular in the 3 target cities of Mataram, Bekasi and Banda Aceh. As alluded to in the PEFA, collection systems for tariffs and taxes are weak throughout the country, so it is recommended that a loan covenant be introduced to ensure inclusion of physical performance with financial performance, and implementation of a robust collection system for tariffs

1-90. **Implementing Agency:** It is extremely beneficial to both ADB and GOI to use existing implementing structures to administer ADB funded projects. The experience is demonstrated, but all staff engaged under this project should be fully trained and re-orientated as ADB has made great strides over the past 2-years to update policies, manual and procedures. The PAM will reflect all the roles and responsibilities of each entity and all staff should be familiar with this.

1-91. **Staffing:** Staff are permanent Civil Servants and are quite stable for this project. The repercussions of losing knowledgeable staff which could be replaced by unqualified / unknowledgeable staff may result in under performance of the project. Losing well qualified and capable staff needs a robust and regular training event in ADB policies and procedures within 2 months of the new appointment. It is recommended that a covenant be inserted in all agreements that GOI must inform ADB of staff changes in the EA and that ADB then subsequently schedule a training events in ADB policies and procedures for Loan/Grant Disbursements and Financial Management and reporting within 2 months of the staff turnover. Additional staff will be employed through employment contracts and should also go through a re-training program.

1-92. **Accounting Policies and Procedures:** The risk here is mainly in the retention of documents. GOI retention period is much less than ADBs, so a covenant needs to be drafted in the loan documentation to ensure ADB's retention period is adhered to for this project.

1-93. **Contract Management and accounting.** Procurement and disbursement are sometimes very slow caused mainly by errors in billing and documentation. The project should develop a user friendly system that management can use to track contracts and make better informed decisions. **It is recommended** that a new Contract Management system model be used on a regular basis as a management tool by senior management.

1-94. **Internal Audit.** Internal Audit is basically on request, however in the interest of maintaining good control systems it is recommended that a loan covenant specify the periods for internal audit – every six months.

1-95. **Accounting system.** The government has a very good accounting system and attained good scores in the PEFA, however Reporting for ADB project is still conducted by extracting information from the government system and then manipulating the data in excel to meet ADB requirements. It is recommended that an add-on module be developed to produce ADB report from the mainframe accounting system.

1-96. **Sub-national City Administration levels.** All 3 Cities are supported by central level funding. A loan covenant should be inserted to ensure central government continue this level of fiscal support during the implementation period. The central government provide training for sub-national government in the accounting systems, the Loan should covenant that this continues.

1-97. **If the procurement is by DBO** then it is recommended that the City administration only perform the function of monitoring and evaluation due to lack of experience and capacity.

1-98. **It is recommended** that all city staff, staff of SATKERs at both central and sub-national level be trained in ADB requirements for disbursement, financial management, reporting, internal and external audit.

A1-9. Conclusion

1-99. The main conclusion is that the recommendation from Component 1 to use the Design-Build-Operate system (BDO) for implementation will need a huge effort in capacity building at the Central, Provincial and city government levels.

1-100. There are two dimensions' for this support; (i) firstly, during implementation, and (ii) post construction.

1-101. During implementation, monitoring and evaluation and payment milestones will have to be improved to allow for the different modality. It is also recommended that City Administration staff be involved at day one to learn how to operate the system efficiently.

1-102. The civil works contract for each city should be based on a hybrid BDO contract comprising construction works and performance-based maintenance activities. The defects notification period of the contract will be replaced by the performance-based maintenance period of 5 years. The civil works contract will be based on ADB's standard bidding documents and World Bank's Output and Performance Based Road Contracts (OPBRC). This 5-years will reduce maintenance costs and can include a training program for the operational staff of the City Administration.

1-103. The government is well prepared for the project, but there are pre-project actions that need to take place for capacity building – all noted in the above action plan. There are five issues that will need to be addressed in the loan documentation; (i) the retention of documents, as ADBs requirements are more stringent than the GOI, (ii) the need to request internal audit, there should be a periodic routine established, (iii) to enhance the speed of implementation and reduce the number of errors and confusions on contracts there needs to be a contract management system created for the project, (iv) the project should avoid the use of excel spreadsheets for producing ADB reports and design a computer system that produces those reports and (v) the responsibility for the collection of wastewater tariff should be given to the local PDAMs.

Annex 1: FMAQ for EA Directorate of Environmental Sanitation [PPLP]**Annex 2 Financial Management Assessment**

(Directorate of Environmental Sanitation (Pengembangan Penyehatan Lingkungan Permukiman, PPLP, (Direktorat Jenderal Cipta Karya), a division of the Directorate General of Human Settlements (DGHS) of the Ministry of Public Works and Housing)

The assessment has followed ADB's **Guidelines for the Financial Management and Analysis of Projects** and ADB's **Financial Management Assessment Questionnaire (FMAQ)**, and ADB's **Financial Management Technical Guidance Note, May 2015**. In conjunction with the FMAQ the assessed individual risks are categorized as follows:

- High - likely to occur, will have high impact if occurs
- Substantial - unlikely to occur, will have high impact if occurs
- Moderate - likely to occur, will have low impact if occurs
- Low - not likely to occur, will have low impact if occurs

In the Tables below **N/A** stands for not applicable.

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
1.1 What is the entity's legal status / registration?	Central Government Agency	Low
1.2 How much equity (shareholding) is owned by the Government?	100% owned by the city government.	Low
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	N/A	Low
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Yes. Many projects:	Low
1.5 Briefly describe the statutory reporting requirements for the entity.	Monthly and quarterly reporting to Directorate General of Human Settlements (DGHS) of the Ministry of Public Works and Housing	Low
1.6 Describe the regulatory or supervisory agency of the entity.	Overall - Minister of MPWH; For construction – Direktorat Jenderal Cipta Karya supervision – PPLP PP 60/2008 stipulates SPIP (government internal control system). Internal auditing is carried out by Inspectorat agency and external auditing by BPK (regards to the financials) and BPKP (regards to the performances)	Moderate
1.7 What is the governing body for the project? Is the governing body for the project independent?	EA = DJCK Direktorat Jenderal Cipta Karya Directorate General of Human Settlements IA = PPLP ((Direktorat) Pengembangan Penyehatan Lingkungan Permukiman/ Directorate of Environmental Sanitation Development CPMU = Center of Project Management Unit PIU = SATKER PPLP Strategis Governing body is not independent	Substantial
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance	The organization structure is attached. The structure has been in effect across Indonesia and based on study conducted by MPWH and Ministry of PAN (government official empowerment)	Substantial

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appropriate for the needs of the project?		
1.9 Does the entity have a Code of Ethics in place?	Yes, it refers to code of ethics published by the ministry of PAN.	Moderate
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	None known	Moderate
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2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	Refer attached Funds Flow Chart in Annex 9	Moderate
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	If we follow a traditional implementation path the systems are satisfactory. However, we are trying to involve the city Administrations in the implementation phase for which there is no modality for passing the money down from central government to the Cities. We are working on a solution.	High
2.3 Are the disbursement methods appropriate?	Yes, disbursement methods comply with national policies and procedures. Staff have been trained in ADB's CPD system which will apply for this project.	Moderate
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	Disbursements and replenishments have been delayed	Moderate
2.5 In which bank will the Advance Fund Account (if applicable) be established?	At National Level it will be Bank Indonesia, however it has yet to be decided at local level and indeed if it is required	High
2.6 Is the bank in which the Advance Fund Account is established capable of – <ul style="list-style-type: none"> • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? 	Yes at National level.	Low

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• Issuing detailed monthly bank statements promptly?		
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/ required?	The level has not yet been established at either of the national level or the local level due to the uncertainty at the time of writing of the procurement methods to be used.	High
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes very experienced	Low
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	Yes, very experienced and trained in ADB CPD system	Low
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	Overall foreign exchange risks rests with the borrower, which is the Ministry of Finance. At the project level, however, the following is expected to mitigate it (i) earmarking a percentage of the loan amount to the contingency category, (ii) large number of contracts to be signed in US dollar (given international selection of consultant firms for project preparation contracts), and (iii) significant amount of each contract to be nominated in US dollars (for payments to international consultants) and to be paid directly by ADB upon request of the EA.	Moderate
2.11 How are the counterpart funds accessed?	Counterpart funds are accessed using SPM (Payment Order) and SP2D (Fund Disbursement Order) issued by the responsible government agency (KPKN - dedicated bank account).	Moderate
2.12 How are payments made from the counterpart funds?	Transferred from the Treasury or directly to the account of third parties. According to Indonesian Regulations	Moderate
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and	Yes, there is a mechanism of verification at the time of request for payment and post-payment audit. An additional PIU maybe set up at the EA to manage three separate PIU at the city level where payments will probably be made to communities or NGOs for the soft components.	High

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features built into its systems to track the use of project proceeds by such entities?		
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	This aspect has yet to be determined.	High
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	Accounting Division is established for each DIPA / Satker / Directorate. At the PIU and Satker level there are 2 officers - 1 for treasury and 1 for verification functions (their level is at par with the PPK)	Low
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	Existing staff will be assigned but if the project needs more resources they will be recruited.	Moderate
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.		
3.4 Is the project finance and accounting function staffed adequately?		
3.5 Are the project finance and accounting staff adequately qualified and experienced?		
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?		
3.7 What is the duration of the contract with the		

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project finance and accounting staff?		
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.		
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.		
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?		
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?		
3.12 What is training policy for the finance and accounting staff?		
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting	Yes, GOI has computerized financial system for the project. It uses SAI application, SAKPA application, SIMAK BMN application (for government assets)	Low

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system will be used for the project?		
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes standard procedures.	Low
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Yes the chart of accounts are adequate to report on project activities and disbursement categories. The design of ADB reporting requirements may need to be recreated using Excel.	Moderate
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	Moderate
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	The general ledger and subsidiary ledgers are reconciled monthly and actions are taken on the spot due to any differences.	Moderate
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Accounting records including supporting documents was retained for 5 years however the soft copy is usually only retained for one year, which is very unusual. For tracking the use of national budget proceeds at agency level, the SAIBA System is used. For loans, the SPAN software is used	High
4.7 Describe any previous audit findings that have not been addressed.	The previous audit findings have been addressed.	Low

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4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	The project will use the new CPD System introduced by ADB and staff have already been trained in the system. There are several steps in the system such as; The PIU will raise the withdrawal application (WA) It will be sent to the PIU in PPLP who will check the WA and then forward to the Centre of Project Management Unit (CPMU) in the Directorate of Environmental Sanitation Development. Using the access code the WA will be approved and sent to the EA through to the Ministry of Finance for final authorization and on forwarding electronically to ADB.	Low
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes. According to SAP, the functions segregation must be taken at the agency appropriately.	Low
4.10 Do budgets include physical and financial targets?	Yes. There is TFK (physical and financial targets) and RFK (physical and financial realization)	Moderate
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	There are account codes that accommodate the budget in detail. The account codes has been adjusted for project activity for easy monitoring, called RAB (Rincian Anggaran Biaya)	Moderate
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Yes	Moderate
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	Low
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Variation up to 10% of the contract value is approved by the PPK, while for variations beyond this, approval is not given in the Indonesian law For loan project, every contract variation is reported to the lender and concurrence sought, where applicable	Moderate
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	Ultimate responsibility lies with the MPWH minister. MPWH-wide technical support is provided by the Bureau of Budget and Planning at OSG. At DG-level, the budget and planning directorate is responsible for technical support in preparation and oversight over the budget execution.	Moderate

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4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes, planning and budget preparation activities are led by the planning and budget directorates of each DG (host of the PMO) through appropriate coordination with PIUs and Satkers.	Moderate
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?	Yes. There are a number of meetings with small teams for development of the project plan and budget. No significance meet you revisions or inadequate fund releases against allocations. However, sometimes there are delays	Moderate
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	There are sometimes delays, but not significant	Moderate
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	This information is not to hand at the present time. Refer to PEFA	
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes to all questions	Moderate

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4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Yes Stamped "PAID" with the date listed, but not all the information is "reviewed" and "approved"	Moderate
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Yes, several control mechanisms	Moderate
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	The basis of accounting is cash based. It appears that accrual accounting is followed in the book of financial statements. The project will follow the accrual based approach	Moderate
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	Government accounting standards	Moderate
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	The project will follow the Ministry of Finance guidelines, Taking into account ADB's financial management manual	Low
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes. The accounting policies and procedures manual is regularly updated and given to the head of the SATKER. The tasks and duties of all staff in the SATKER is covered in the standard operating procedures. Furthermore, the project will be supported by the Project Administration Manual (PAM), ADB's Financial Management Manual (FMM) and ADBs 2017 Loan Disbursement Handbook (LDH)	Low
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes	Low
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	Low

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4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Comprehensively covered in Indonesian law	Low
4.28 Are manuals distributed to appropriate personnel?	Manuals will be provided to all appropriate personnel	Low
4.29 Describe how compliance with policies and procedures are verified and monitored.	Once a year by internal and external auditor (PPK) or standalone organization	Low
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.		
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?		
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?		
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Bank accounts are reconciled daily to SIPKD. Petty cash transactions are recorded as a cash on hand and physically verified and reconciled with the cash books every day.	
4.34 Are all reconciling items approved and recorded?	Yes, all reconciling items in SIPKD are approved and recorded.	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes. On a daily basis	
4.36 Are there any persistent/non-moving reconciling items?	None known	Moderate
4.37 Are there appropriate controls in	Staff have been trained in the ADB CPD system and appropriate segregations of USB keys will be made for	Low

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safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	the project. It is proposed to have three levels of authorization (i) at the SATKER Strategis (PIU) (ii) at the Center of Project Management Unit (CPMU) and the other in Ministry of Finance.	
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	Only equivalent to daily requirements	Low
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	There will be at three people possessing the USB keys as described above.	Low
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Yes, use of SIMAK BMN Application, Monitoring of assets and Audit of assets	Moderate
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Asset management carried out by the asset division of BPKK which has fix asset list that is being adjusted monthly after payment was done on every SKPD.	Moderate
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	The list of asset is updated regularly and matched with its detail. Its certificates and ownership documents of vehicle, land and building are kept safe in BPKK vault.	Moderate
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Quarterly and annually. Securities are kept safe in BPKK vault and registered according to the date of its issuance.	Moderate
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes, every year the physical inventory of assets and stocks are reconciled with its registers and any discrepancies would be addressed.	Moderate
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset	Ministry of Finance has to approve disposal of assets (for more than 300,000IDR)	Low

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appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?		
4.46 Are assets sufficiently covered by insurance policies?	Only some assets covered by insurance, usually only vehicles.	High
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	The asset subject to depreciation are: 1) machine and equipment; 2) buildings; 3) roads and network constructions. Depreciation method used are straight line with end book value equal to zero.	Moderate
4.48 Describe any other regional offices or executing entities participating in implementation	Referred to Annex for the structure of the project. the project Will be implemented across three cities; Banda Aceh, Bekasi and Mataram. Civil works contracts will be managed by the national level, together with SATKERs in each provincial government. The project will be designed so that's the soft components (environmental and social mitigation and capacity building) will be implemented at the city level. However at the point of writing the system has not yet been finalized	High
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.		
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?		
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?		
4.52 Are periodic reconciliations performed among the different offices/ implementing agencies? Describe the		

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project reporting and auditing arrangements between these offices and the main executing/implementing agencies.		
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	There is no sub-accounts under the advance fund.	Moderate
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?		
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Fraud, corruption, waste and misuse of funds follow comprehensive arrangements per the relevant Indonesian laws and regulations. Specifically: - Integrity pact is a must for authorized budget users (Echelon 2/Director level staff). The format is provided by State Treasury Office (Kantor Pelayanan Perbendaharaan Negara). - New Law on Civil Service obligates officials to disclose their financial status. The format is called: "Laporan Harta Kekayaan Aparatur Sipil Negara" (LHKASN). It is submitted to Bureau of Finance, Secretary General, MPWH, and then sent to Badan Kepegawaian Negara (State Employment Agency).	Moderate
5.1 Is there an internal audit (IA) department in the entity?	Inspectorate agency	Low
5.2 What are the qualifications and experience of the IA staff?	Audit certification by the government through regular training	Moderate
5.3 To whom does the head of the internal audit report?	The Inspector General submits a report to the Director-General	Low
5.4 Will the internal audit department include	No. Internal audits are conducted regularly (yearly or half) and dependent on the request from the relevant authority - so it is not automatic.	High

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the project in its annual work program?		
5.5 Are actions taken on the internal audit findings?	Yes, actions are taken on the internal audit findings and they include administrative sanctions	Moderate
5.6 What is the scope of the internal audit program? How was it developed?	The scope of internal audit is typical of government audits in that it checks for technical, financial miss calculations. However, the project will provide for capacity building in internal audit to cover internal controls.	High
5.7 Is the IA department independent?	The internal audit department is independent from the project implement structure but is part of MPWH	Moderate
5.8 Do they perform pre-audit of transactions?	No	High
5.9 Who approves the internal audit program?	Inspectorate general of internal audit	Low
5.10 What standards guide the internal audit program?	As per the Indonesian law	Moderate
5.11 How are audit deficiencies tracked?		
5.12 How long have the internal audit staff members been with the organization?	More than five years on average	Moderate
5.13 Does any of the internal audit staff have an IT background?	All of the audit staff have IT skills particularly in relation with application used by the SKPD i.e.: SIPKD, Sigolabang, Simpangkeda and general application such MS Office.	Moderate
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?		
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Internal Audit Report is prepared at least once a year. As soon as the Satker receives the Internal Audit Report (from Inspectorate General or BPKP), it prepares clarifications for all queries raised in the audit report. For monitoring and evaluation of overall PPLP auditing matters, it is the task of Finance Division of DG to coordinate.	Moderate
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes the internal auditor is used to dealing with ADB projects, however there are many changes to ADB procedures over the last two years so a capacity building or training program would be recommended. Particular training will be needed on the latest hello disbursement Handbook 2017 and the new CPD System	High
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the reports is audited every 6 month by BPK and BPKP.	Low
6.2 Are there any delays in audit of the	No. Audit reports are usually issued 1 month after audit	Moderate

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entity? When are the audit reports issued?		
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Auditing standard by BPK uses SPKN and ISA.	Moderate
6.4 Were there any major accountability issues noted in the audit report for the past three years?	None	Low
6.5 Does the external auditor meet with the audit committee without the presence of management?	No specific audit committee is established, but it is the task and duty of the finance division to consult the Secretary DG every half year, and to meet with SATKERS before and after auditing.	Moderate
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	No	Low
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	No	Low
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes - there are other projects within the Ministry	Low
6.9 Are there any material issues noted during the review of the audited entity	None	L

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financial statements that were not reported in the external audit report?		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	BPK will conduct auditing of project financial statements	Low
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	Not known	Moderate
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	BPK Will audit the project accounts. There is no other independent government entity in addition to the external audit.	Low
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	No. The terms of reference for the project audit has not being completed at this stage and will be subject to the capacity building program being designed by this TRTA.	High
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	No.	Low
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have sufficient experience with funds coming from donor, in particular ADB, institutions.	Low
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No significant audit findings over last 5 years.	Low
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the	This question will be asked of the executing agency, as yet we have no answer to this.	

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obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?		
7.1 Are financial statements and reports prepared for the entity?	SAI, SAKPA, SIMAK BMN. Yes, per the established government standards	Moderate
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Project reports FMR and FISSA Reports and... Physical progress and financial report is to be prepared by PPTK through providing S Curve.	M
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Monthly, quarterly, and annually. Physical progress and financial report is arranged monthly and submitted to WHO? every Wednesday.	M
7.4 Does the entity reporting system need to be adapted for project reporting?	There is already project report format frequently used, yet could be adapted to needs.	Moderate
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Yes, but there will still need to be some capacity building for the Center Project Management Unit and the Project Implementation Units at all levels.	Moderate
7.6 Are financial management reports used by management?	Yes	Moderate
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	Low
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Financial reports are prepared by the government accounting electronic system which is quite efficient. However for some ADB requirements the reports may need to be adjusted using XL spreadsheets.	Moderate
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to	The reporting system is integrated between the physical and financial realization of the project. In the past physical data usually shows a faster progress because of the constraints of the financial data and disbursement issues. This should not be a problem during this project due to the extended use of the CPD system for disbursements by ADB.	Moderate

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gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?		
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, many projects.	Moderate
8.1 Is the financial accounting and reporting system computerized?	<p>Yes. The Ministry of Finance (in accordance with PP 71/2010) has developed an accounting system called Sistem Akuntansi Instansi Berbasis Akrua (SAIBA), which is an accrual-based accounting system for government agencies.</p> <p>The SAIBA enables preparation of financial reports in stages starting from the Satkers, regions, Echelon 1, and ministry level. This accounting system was developed by the Directorate General of Treasury of the Ministry of Finance. It is mandatory for use by all SATKERS in Indonesia. This system enable production of following reports:</p> <ul style="list-style-type: none"> • Budget execution reports: <ul style="list-style-type: none"> (i) disbursed fund report; (ii) statement of changes in balance budget surplus (Laporan Perubahan SAL) • Financial reports: <ul style="list-style-type: none"> (i) balance; (ii) operational report; (iii) statement of equity change; and (iv) cash flow statement • Notes to the financial statements 	Low
8.2 If computerized, is the software off-the-shelf, or customized?	The software has been customized by Ministry of Finance which is periodically updated.	Low
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Integrated and it is used by all directorate generals.	Low
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	All integration is automatic	Low
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual	Yes, it is used for directly generating periodic financial statements.	Low

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
intervention and use of Excel or similar spreadsheet software?		
8.6 Can the system automatically produce the necessary project financial reports?	Yes, but to me need slight alterations too much with ADB required formats	Moderate
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, with refresher training every year.	Low
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes, since each user have user id and password according to their task and authority.	Low
8.9 Are there back-up procedures in place?	Yes,	Low
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Data stored in the back-up mirror server at a secured location away from disaster.	L

Annex 2: FMAQ Banda Aceh - The Environmental and Cleanliness Agency [DLHK3]

Annex 2 Financial Management Assessment
(The Environmental and Cleanliness Agency [DLHK3] of City of Banda Aceh CBA)

The assessment has followed ADB's **Guidelines for the Financial Management and Analysis of Projects** and ADB's **Financial Management Assessment Questionnaire (FMAQ)**, and ADB's **Financial Management Technical Guidance Note, May 2015**. In conjunction with the FMAQ the assessed individual risks are categorized as follows:

- High - likely to occur, will have high impact if occurs
- Substantial - unlikely to occur, will have high impact if occurs
- Moderate - likely to occur, will have low impact if occurs
- Low - not likely to occur, will have low impact if occurs

In the Tables below **N/A** stands for not applicable.

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
1.1 What is the entity's legal status / registration?	Dinas LHK3 (Environmental and Cleanliness Agency) is an organization under the city government.	L
1.2 How much equity (shareholding) is owned by the Government?	100% owned by the city government.	L
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	None	L
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	There were grants from JICA and UNICEF for WWTP development with the capacity of 50m ³ /day and 60 m ³ /day respectively.	L
1.5 Briefly describe the statutory reporting requirements for the entity.	LHK3 agency required to provide progress report D1	L
1.6 Describe the regulatory or supervisory agency of the entity.	PP 60/2008 stipulates SPIP (government internal control system). Internal auditing is carried out by Inspectorat agency and external auditing by BPK (regards to the financials) and BPKP (regards to the performances)	L
1.7 What is the governing body for the project? Is the governing body for the project independent?	The Satker (task force) and PPK/Pejabat Pembuat Komitmen (commitment authority official) are parts under LHK3	S
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	The organization structure is attached. The structure has been in effect across Indonesia and based on study conducted by MPWH and Ministry of PAN (government official empowerment)	S
1.9 Does the entity have a Code of Ethics in place?	Yes, it refers to code of ethics published by the ministry of PAN.	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	The violations are generally regarding to administration/absence.	S
Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	National/local budget fund flows: proposed of project budget → APBD (local budget) → input data to SIPKD (local financial management information system) → bidding → winner → SPK (working commencement letter) and contract → physical progress → payment request (approved by LHK3) in the format of SPP/SPM → payment by BPKK (local financial management agency) issued SP2D → data input to SIPKD.	M
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes the arrangement has been satisfactory. Project arrangement comprising: Planning, budgeting, procuring, physical work, monitoring & evaluation, payment, hand over, asset recording.	M
2.3 Are the disbursement methods appropriate?	Yes, the disbursement has complied with national policies and procedures.	M
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	Unexpected physical progress/mistake in bidding processes	M
2.5 In which bank will the Advance Fund Account (if applicable) be established?	In most of banks like World Bank, ADB, JICA, including DAK (earmark fund) from MPWH.	M
2.6 Is the bank in which the Advance Fund Account is established capable of –	No foreign currency over last five years.	M
<ul style="list-style-type: none"> • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly? 		

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/ required?	Yes, it has been appropriate according to its requirements.	L
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	LHK3 has no experience dealing with ADB, yet PU agency (public works) and PDAM do have experience with ADB.	S
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	No, it does not have experience with ADB yet.	S
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	There has been no foreign currency components.	S
2.11 How are the counterpart funds accessed?	Proposed project budget → APBD (local budget) → input data to SIPKD (local financial management information system) → bidding → winner → SPK (working commencement letter) and contract → construction → physical progress	M
2.12 How are payments made from the counterpart funds?	Payment request (approved by LHK3) in the format of SPP/SPM → payment by BPKK (local financial management agency) issued SP2D → data input to SIPKD	M
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	Project fund flowing to community is using particular reporting and monitoring.	H
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind	Yes	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
(in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	The financial organisation structure is a part of LHK3 Secretary division.	L
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	The project management would be in the section of waste water and dangerous substance. It has 6 staffs and new staff would need according to the project scale.	S
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	The financial staff comprises ones dealing with capital expenditure, and direct and indirect expenses. They have bachelor degree in accountancy and economic, and get training regularly from MoF and Inspectorat agency.	L
3.4 Is the project finance and accounting function staffed adequately?	Currently the financial and accounting section is just managing IPLT (sludge treatment installation) maintenance.	L
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Financial and accounting project staff have more than 10 years experience, bachelor degree background and got trainings on finance stuff of project.	L
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Financial and accounting staff have no experience with any ADB project.	M
3.7 What is the duration of the contract with the project finance and accounting staff?	The core staff of financial and accounting are civil servants, and their assistant hired from non-civil servant.	S
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	N/A	
3.9 For new staff, describe the proposed	N/A	

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.		
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	N/A	
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low turnover, they would only be replaced as to be retired and/or move to other section/division/agency.	L
3.12 What is training policy for the finance and accounting staff?	Financial application system training every year to increase their capability.	M
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Training about SIPKD application, Simpangkeudah app., tax and retribution, treasury, and project financial as well.	L
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	LHK3 has online integrated accounting system with BPKK (local financial agency) i.e. SIPKD.	L
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Payment is carried out as follow: SPP (payment request) prepared by PPTK (project technical implementing official) with attached of ToR, SPK, contract letter and physical progress report. The documents submitted to finance section head to be verified and then to issue SPM (payment order). SPP and SPM signed by LHK3 Head and submitted to BPKK for payment realisation.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Project account code have adequately match with its budget account code in line with MoF policy. If the project account code does not yet exist the financial section need to request to BPKK.	L
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, the project budget allocation must be in accordance with APBD so there would be no deviant payment.	L
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	The general ledger and subsidiary ledgers are reconciled monthly between the LHK3 and BPKK. Actions are taken on the spot due to any differences.	M
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Accounting records including supporting documents was retained for 5 years in LHK3 vault that easy to be accessed, while the ones over 5 years retained in the govt. library and archives warehouse.	S
4.7 Describe any previous audit findings that have not been addressed.	The previous audit findings have been addressed, but some of the asset recording which was lack or incomplete of its supporting document that seem to be difficult to be addressed.	S
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	(i) Carried out by the budget user and one that have budget user authority. (ii) Carried out the finance sub-division to do verification, reconciliation and to prepare financial reports. (iii) The sub-division of program and reporting must retain asset recording according to its verification result.	L
4.9 Are the functions of ordering, receiving, accounting for, and	Yes, according to SAP, the functions segregation must be taken at the agency (LHK3) appropriately.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
paying for goods and services appropriately segregated?		
4.10 Do budgets include physical and financial targets?	Yes, the budgets have to be output based which segregate budgets for budget and financial.	L
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	There are account codes that accommodate the budget in detail. The account codes have been adjusted for project activity for easy monitoring. Regular meeting with SKPD head and the city secretary undertaken every Wednesday to discuss budget realization, performance progress, constraints and its follow-up.	S
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	In 2016 fiscal year, the budget absorption was of 98% and in 2017 of 97%. These happened among others due to daily casual worker for solid waste management and the city garden were paid on daily basis. The total number of the workers is 595 persons.	L
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	The variation of budget absorption could be seen in advance and afterwards it was to be amended in September.	M
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	No variation from the budget without prior approval.	L
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	The budget prepared by each division and submitted to the secretary of LHK3 agency for verification and inspection based on strategic plan and needs. Afterwards the secretary would submit it to the head for approval.	L
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The budget prepared by each division → submitted to the secretary for checking and verification → approved by head of LHK3 → submitted to Bappeda to be adjusted with the city RPJM and Renstra → discussed by the budget team for getting recommendation → and submitted to DPRK (the city parliament) to be approved.	S
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	The project and budget planned to be put in RKA (work plan and its budget) of LHK3. The budget should be adjusted according to the city strategic plan (Renstra) and needs. The plan and budget prepared by its divisions who have adequate experience and competence.	S
Is there evidence of significant mid-year revisions, inadequate fund releases against	The budget revision was taken due to late bidding and lack of its contractor in realising the project.	

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
allocations, or inability of the EA to absorb/spend released funds?		
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	Counterpart funding was examined based on needs and the city budget capacity to avoid deviation.	S
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	There was deviation around 2-3% and tent the same over several past years.	S
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	To process the payment would need: i). ToR, SPK, physical progress report, SPP and SPM; ii). The documents checked and verified according to its validity and multiplication calculation with unit prices properly; iii). The original documents kept in LHK3 vault and its copies submitted to BPKK.	L
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	After the payment done, first page of SP2D submitted by BPKK to LHK3, which was a valid proof of the payment so it doesn't need stamp PAID.	M
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	The head of finance division prepares payroll list based on attendance machine, time in and out of their office. The payroll list then was input to staffing program. It then authorized by the head of agency after checked and verified by the secretary.	M
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Payroll calculated based on cash and accrual basis.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	The accounting standard applied based on PP no.71/2010 on SAP and based on Perwali no.32/2013, Perwali no.21/2016 on the city government accounting policy and receipt.	L
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	The project financial policy and procedure refers to Perwali no.32/2013 and no.21/2016.	L
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	The guidance of financial project policy and procedure is subject to change according to the city govt. accounting policy.	L
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Everytime perwali issued on finance and accounting policy it must be followed by all SKPD.	L
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Permendagri no.13/2016 contain policy principles of local financial management that must be applied by each of local government. Qanun (the city regulation) no.1/2007 also stipulates the city financial management which derived from the Permendagri.	L
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Conflict of interest and transactions among the related parties is stipulated by Qanun no.1/2007 and also stipulates protection for party which considered as a witness.	L
4.28 Are manuals distributed to appropriate personnel?	Manuals that stipulate personnel regarding to conflict interest is contained in Perwali no.21/2016 and Perwali no.20/2016	L
4.29 Describe how compliance with policies and procedures are verified and monitored.	It obedient to Perwali no.21/2016 and no.20/2016 and monitored by the head of LHK3 and Inspectorate as well.	L
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have	Sofyan Hidayat, SE, Ak as authorized signatories for BUD (local general treasurer)/head of treasury division and Drs. Purnama Karya, MM as BUD (local general treasurer)/head of BPKK.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
custody over bank passwords, USB keys, or equivalent for online transactions.		
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	LHK3 agency maintain receipt and expenditure recording and cash book into SIPKD accounting application and SIPKD of the Aceh Bank.	L
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Head of treasury is to collect indebted tax and retribution from business entities and timely deposit and recording of receipts and put into SIPKD.	L
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Bank accounts are daily reconciled with the records in SIPKD. Petty cash transactions are recorded as a cash on hand and physically verified and reconciled with the cash books every day.	L
4.34 Are all reconciling items approved and recorded?	Yes, all reconciling items in SIPKD are approved and recorded.	L
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, every day they are reconciled between items in BPKK and Bank Aceh.	L
4.36 Are there any persistent/non-moving reconciling items?	No, reconciling items keep changing every day.	M
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes, transaction control is carried out by 6 staff of BPKK. They provide signature and deliver to the BUD (local treasurer) to signed. The controller has password access to SIPKD with treasury feature so they are able to do check and verification.	M
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	A cash balance specified max. 10% of the total expenses for goods and services of any SKPD at the current fiscal year. It can be added if minimum 50% has been spent.	M
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	There are 6 person of staff and head of treasury division and head of BPKK as well who possess the keys and passwords.	M
4.40 What policies and procedures are in place to	The policies and procedures to safeguard assets conducted based on: 1) status and ownership certificate;	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
adequately safeguard or protect assets from fraud, waste and abuse?	2) record and use; 3) every asset is labeled. The administering asset stipulated based on PP no.27/2014 about local owned goods/asset.	
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Asset management carried out by the asset division of BPKK which has fix asset list that is being adjusted monthly after payment was done on every SKPD. Local govt. asset could not be encumbered or liened or pledged to any bank which according to the national financial laws.	M
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	The list of asset is updated regularly and matched with its detail. Its certificates and ownership documents of vehicle, land and building are kept safe in BPKK vault.	M
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Securities are kept safe in BPKK vault and registered according to the date of its issuance.	M
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes, every year the physical inventory of assets and stocks are reconciled with its registers and any discrepancies would be addressed.	M
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	The policy and procedure of asset disposal are as follow: 1) for asset with the value under Rp 1 million by head of BPKK with proposed by the related SKPD; 2) for the value of Rp 1 million and above, the disposal taken by BPKK with a recommendation by the asset disposal team.	M
4.46 Are assets sufficiently covered by insurance policies?	Some asset covered by insurance are only vehicles that considered have high risk to people safety.	M
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	The asset subject to depreciation are: 1) machine and equipment; 2) buildings; 3) roads and network constructions. Depreciation method used are straight line with end book value equal to zero.	S
4.48 Describe any other regional offices or executing entities participating in implementation	Asset managemet are carried out only by BPKK.	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	The head of finance division of LHK3 verifies and issues SPP and SPM with signed by head of the agency. The treasury division of BPKK issues SP2D and makes payment as supported with the SPP and SPM docs. Project asset are kept by LHK3, while its safeguard and management under BPKK.	M
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Segregation of financial duties are as follow: 1) sub-division of program and reporting is responsible for budget reporting; 2) sub-division of finance is responsible for recording and finance reporting; 3) sub-division of staffing and asset is responsible for personnel recording and asset.	M
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Information and financial data among SKPDs are processed through SIPKD which has been integrated and online, so the information definitely timely fashion and accurate.	M
4.52 Are periodic reconciliations performed among the different offices/ implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Yes, periodic reconciling between SKPD and BPKK are taken every 6 month. Should any difference in recording have to be addressed and finished before the next reconciling.	M
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	There is no sub-accounts under the advance fund.	M
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical	The official of goods and services procurement undertakes bidding activity. PPTK is the official to execute the activity and obliged to prepare contract documenting. PPTK also keeps the contract and other its supporting documents till auditing activity finished.	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
outputs/deliverables of the contract?		
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	The official of goods/services procurement delivers bidding documents and contract to the secretary of LHK3 to be further processed.	S
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	If there is any project discrepancies, particularly related with the bidding and physical progress and financial PPTK is obliged to prepare a report of it to head of LHK3 to be further addressed.	S
5.1 Is there an internal audit (IA) department in the entity?	Inspectorate agency	L
5.2 What are the qualifications and experience of the IA staff?	The level of Inspectorate agency is 3 of 5 scale. The staff number is 28 comprises 21 auditor staff and 7 non-auditor staff. Their education background: 2 persons of bachelor degree of accountant and 19 persons of bachelor degree of economic/management. Their experience: 11 persons with <10 years and 10 person with >10 years.	L
5.3 To whom does the head of the internal audit report?	The inspector (head of Inspectorate agency) report to the city mayor.	L
5.4 Will the internal audit department include the project in its annual work program?	Yes, the project financial report is a unseparated part of the whole LHP (auditing result report). The project auditing also is part of its annual work program. There are 2 kind of auditing: particular audit and case audit, which both based on the mayor instruction. The audit objects are financial, asset, staff performance, and village fund.	L
5.5 Are actions taken on the internal audit findings?	The inspector conducting auditing semi annually. Should any findings would be addressed in SKPD coordination meeting quarterly. The report is to be submitted to BPK Aceh rep. for the basis to do external auditing.	L
5.6 What is the scope of the internal audit program? How was it developed?	The scope comprising all activities contained in APBD. Every year Inspectorate arranges PKPT (annual oversight work program). The program prepared based on project activities routinely and priorities, and particular auditing on specific problem.	L
5.7 Is the IA department independent?	Yes, it is an agency that part of the city government and its head is subject to the mayor should no significant case.	S
5.8 Do they perform pre-audit of transactions?	The Inspectorate does field auditing semi-annually, and when deviant indication found then it would be continued with particular auditing.	M
5.9 Who approves the internal audit program?	Every January, the Inspector will submit PKPT (annual oversight work program) to the mayor to be approved, then submitted to the governor (province) to be synchronized with in provincial Inspectorate.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
5.10 What standards guide the internal audit program?	1) SPKN of 2007 which adopted International Standard of Auditing (ISA), and 2) Public Accountant Professional Standard (SPAP).	M
5.11 How are audit deficiencies tracked?	When i) the documents submitted inadequate, and ii) it violates the applicable regulation.	S
5.12 How long have the internal audit staff members been with the organization?	< 10 years and > 10 years	M
5.13 Does any of the internal audit staff have an IT background?	All of the audit staff have IT skill particularly in relation with application used by the SKPD i.e.: SIPKD, Sigolabang, Simpangkedua and general application such MS Office.	L
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	No audit committee in the city government but a coordination meeting is taken quarterly regarding to budget absorption and SKPD's performance.	S
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Yes, the Inspectorate auditor must review all SKPD financial report and its supporting documents and RPJMD and LAKIP.	M
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	They have experience in auditing small scale ADB projects such as PNPM, P2KP and P3. They have more experience for the funds originated from APBD.	M
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the reports is audited every 6 month by BPK which is external auditor. BPK is to review LHP (audit internal report by Inspectorate) and to arrange audit program.	L
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Financial auditing is carried out on time and LHP is to submit in August of the following year.	L
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Auditing standard by BPK uses SPKN and ISA.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
6.4 Were there any major accountability issues noted in the audit report for the past three years?	None, that's why the city awarded WTP (unqualified) opinion over 5 years consecutively.	M
6.5 Does the external auditor meet with the audit committee without the presence of management?	There is no audit committee at the city government. Anyway coordination meeting between SKPD and the mayor is attended by Inspectorat instead of BPK.	S
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	BPK frequently uses a public accountant particularly in auditing a certain SKPD.	L
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	There must be some incomplete documents and mistaken recording, which would provided in LHP (auditing result report) of BPK for certain.	L
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	BPK of the Aceh province has already experience in ADB project auditing particularly in relation with the rehabilitation and reconstruction due to tsunami disaster namely ADB ETESP.	L
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	None	L
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	BPK will conduct auditing project financial report which funded by APBD (the city budget), APBD of the province (the province budget), APBN (national budget), grant and loan as well.	L
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	Yes, based on audit findings by BPK in fiscal year of 2008 particularly related to the city parliament member allowances and incentives.	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes	L
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, the ToR has to be submitted by EA to BPK while conducting auditing.	M
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	Yes	M
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have sufficient experience with funds coming from donor institutions.	L
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No significant audit findings over last 5 years.	L
[For second or subsequent projects]	N/A	
6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?		
7.1 Are financial statements and reports prepared for the entity?	PPTK (Technical Activity Management Official) of LHK3 conducting monitoring and evaluation to the implementation, and also preparing its progress report form D1.	M
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Physical progress and financial report is to be prepared by PPTK through providing S Curve.	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Physical progress and financial report is arranged monthly and submitted to SKPD (the city departments) every Wednesday.	M
7.4 Does the entity reporting system need to be adapted for project reporting?	There is already project report format frequently used, yet could be adapted to needs.	M
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	There has been technical guidance from MPWH that stipulates, among others, financial management reporting. LHK3 agency uses financial report normally as SKPD use.	M
7.6 Are financial management reports used by management?	The budget user namely Head of Dinas must ensure physical progress and financing could reach the target according to RPJMD (medium term dev.plan) and Renstra (strategic plan) of the SKPD. The budget user could call on its contractor when the physical progress considered as slow.	M
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes, D1 format report contains project budget planned and its out-turn project realization as well.	M
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial report prepared by the financial sub-division through SIPKD application system, while project financial reports are prepared by Excel with input data taken from SIPKD.	M
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Project physical progress and financial report are prepared using excel sheet with data taken from SIPKD and other documents manually. It could happen a mistake in taking the data from SIPKD and its documents. So it would require close coordination between financial sub-division and PPTK.	M
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, LHK3 agency has built access road project to TPA (solid waste final site), its fence, composting houses, IPLT (sludge treatment plant) and their trucks procurement with various donors/sources of fund institution	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Banda Aceh	Potential Risk Event
8.1 Is the financial accounting and reporting system computerized?	Yes, with SIPKD system	L
8.2 If computerized, is the software off-the-shelf, or customized?	The software customized by SIPKD lab. Which take system updating.	L
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	It is integrated and online across all the city departments.	L
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	The integration done through the city accounting system according to the mayor regulation.	L
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes, it used for directly generating periodic financial statements.	L
8.6 Can the system automatically produce the necessary project financial reports?	Yes, the reports is compulsory based on Permendagri no.13/2006 and SAP.	L
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, the staff of SIPKD get training every year.	L
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes, since each user have user id and password according to their task and authority.	L
8.9 Are there back-up procedures in place?	Yes, and backed up by SIPKD laboratory.	L
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Data stored in the back-up mirror server at a secured location away from disaster.	L

Annex 3: FMAQ Bekasi – Dinas PERKIMTAN

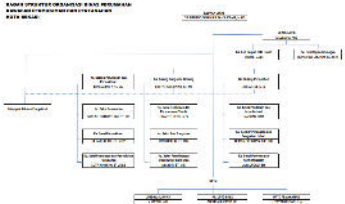
(The Housing, Settlement and Land Agency [Dinas PERKIMTAN] of City of Bekasi CB)

The assessment has followed ADB's *Guidelines for the Financial Management and Analysis of Projects* and ADB's *Financial Management Assessment Questionnaire (FMAQ)*, and ADB's *Financial Management Technical Guidance Note, May 2015*. In conjunction with the FMAQ the assessed individual risks are categorized as follows:

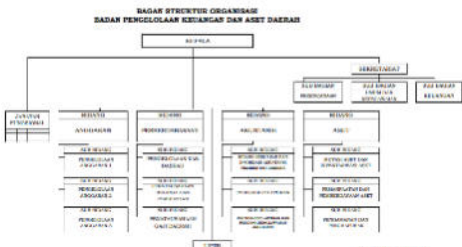
- High - likely to occur, will have high impact if occurs
- Substantial - unlikely to occur, will have high impact if occurs
- Moderate - likely to occur, will have low impact if occurs
- Low - not likely to occur, will have low impact if occurs

In the Tables below **N/A** stands for not applicable.

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
1.1 What is the entity's legal status / registration?	Dinas Perkimtan (Housing, Settlement Supervision and Land Local Agency) is an organization under the city government of Bekasi. It established by Perda no.7/2016 about The Formation of The City of Bekasi Agencies and Perwali no.91/2016 on The Organization Structure, Main Duti and Function of Dinas Perkimtan.	L
1.2 How much equity (shareholding) is owned by the Government?	100% under the City of Bekasi Government	L
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	None	L
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	The agency has just established in 2017 which a merger of the cleanliness agency and the settlement agency. The waste water work was managed by the settlement agency which obtained grant from USAID, Mercy Corp. And private developer in the format of Sanimas (sanitation for community) and SPAL-D (wmm system) for settlement area.	M
1.5 Briefly describe the statutory reporting requirements for the entity.	According to Gov.Regulation no.8/2006 on Financial Reporting and Performance of Government Institutions which stipulate kinds of reporting, entity must provide the reports, components of financial reports, timing, officials who are responsible for, format and content of the performance reports, financial management reports, internal control and administrative sanctions. Supervision of all the local departments is undertaken by Local Inspectorat Department in accordance with Gov.Reg. no.60/2008 on Government Internal Control System. The system is an integral process of continuous action of the management officials and staffs of all local departments to provide proper confidence on their objectives achieving through effective and efficient and reliable financial reporting, securing government assets and compliance with applied laws and regulations. The head of inspectorat (inspector) report to the city mayor.	L
1.6 Describe the regulatory or supervisory agency of the entity.	The governing body for the local waste water management is Dinas Perkimtan (see point 1.1 above). Yes, it is independent and its head is responsible to the city mayor. The agency has UPTD PAL (implementation unit for wwm) which in operation since 2013.	L
1.7 What is the governing body for the project? Is the governing body for the project independent?		

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	 <p>Yes, as in line with its Vision and Misions which among others Developing infrastructure of settlements area that meet minimum service standard, sustainable, meet standards and regulations of spatial planning.</p>	L
1.9 Does the entity have a Code of Ethics in place?	Yes, it is stipulated by Perwali (Kota Bekasi Mayor Regulation) no.58/2017 on Code of Ethics on Good and Services Procurement of the City of Bekasi	L
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	None, that was why they got WTP (unqualified) opinion for its financial reports in 2016.	L
Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	<p>As the loan to be treated as grant-forwarding from the national to the local government, it must comply with Gov.Regulation no.10/2011 on Offshore Loan/Grant Procurement and Forwarding; and MoF Regulation no.52/PMK.010/2006 on Grant Forwarding to Local Government.</p> <p>Fund flow for local budget: proposed of project budget → APBD (local budget) → input data to SIMDA (local financial management information system) → bidding → winner → SPK (working commencement letter) and contract → physical progress → payment request (approved by Perkintan) in the format of SPP/SPM → payment by BPKAD (local financial management agency) issued SP2D → data input to SIMDA.</p>	M
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Not necessarily satisfactory since it appears need more close coordination between the institutions involved.	S
2.3 Are the disbursement methods appropriate?	Yes, the disbursment has complied with national policies and procedures.	M
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	Unexpected physical progress/mistake in bidding processes	M
2.5 In which bank will the Advance Fund Account (if applicable) be established?	Bank Jabar (BJB) or other national bank proposed	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
2.6 Is the bank in which the Advance Fund Account is established capable of – <ul style="list-style-type: none"> • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly? 	Yes, they are capable to execute both foreign and local currency, issuing and administering LCfund from the local budget, large transaction volume, and issuing monthly bank statement.	L
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/ required?	Yes, it has been appropriate according to its requirements.	L
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	No, either Perkimtan and its UPTD PALD has no experience yet with ADB	M
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	No, the implementing unit has no experience yet with ADB	M
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No foreign currency components.	M
2.11 How are the counterpart funds accessed?	Through the city financial fund with considering conformity with RPJMD and the parliament approval.	H
2.12 How are payments made from the counterpart funds?	Payment request (approved by Perkimtan) in the format of SPP/SPM → payment by BPKAD (local financial management agency) issued SP2D → data input to SIMDA	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	Project fund flowing to community is using particular reporting and monitoring.	S
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Yes, the community would need anyway to contribute that could be in staging. Need further study and accomodated in a local regulation.	M
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	<p>LAMPIRAN PERATURAN WALI KOTA BEKASI NOMOR 50 TAHUN 2016 TENTANG KEDUDUKAN, SUSUNAN ORGANISASI, TUGAS Pokok DAN FUNGSI SERTA TATA KERJA PADA BADAN PENGELOLAAN KEUANGAN DAN ASSET DAERAH KOTA BEKASI</p>  <p>WALI KOTA BEKASI,</p>	L
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	Existing staff or proposed new assisting staff according to needs.	L
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	Most have financial accounting and economic background with experience more than 3 years.	M
3.4 Is the project finance and accounting function staffed adequately?	Yes.	M
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Financial and accounting project staff have at least 5 year's experience, bachelor degree background and got trainings on finance stuff of project.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Financial and accounting staff have no experience with any ADB project.	M
3.7 What is the duration of the contract with the project finance and accounting staff?	The staffs are government civil servants for long term.	L
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	N/A	
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	No new staff will be hired currently.	M
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	N/A	
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low, since the finance and accounting personnel is functional not structural position.	L
3.12 What is training policy for the finance and accounting staff?	The city has its own training agency which include training program for finance and accounting staff. Other training and workshop were held every year regarding to the compliance of financial report preparation.	M
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Training of application program of SIMDA by BPKP representative. Training for RKAS amendment system input by the Lab of SIMDA. Training and socialization of government internal control.	L
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the	Yes they have an accounting system established by BPKAD namely SIMDA since 2007 developed by BPKP. SIMDA records all financial activity, budget, administering, and financial and performance reporting. It is a master system for some other application for planning, budgeting, procurement, revenue/income, staffing and asset as well.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Besides they have also developed their own application namely PRODGET (project budget planning) to prepare the planning budget which is expected to be connected with the main SIMDA.	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes, all transactions are verified, validated and all supporting document comprising ToR, contract agreement, work progress report, BAST, invoice, unit price, and its volume as well.	L
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Yes, each project must be recorded with the right account code and processed through the SIMDA which integrated and online with receipt, budget, procurement and planning applications.	L
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, in accordance with the plan and recorded with right account code.	L
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	Yes, the reconciling is made quarterly and any differences promptly has been addressed.	M
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	All accounting records are kept safe in SIMDA, whilst its supporting documents kept in archive vault after auditing has already been done which can only be accessed by the authorized staffs.	M
4.7 Describe any previous audit findings	Audit findings were amongst other differences between physical progress and its actual payment which had been addressed.	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
that have not been addressed.		
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	Perkimtan agency proposes the payment request take to input its budgeting and activity implementation to the SIMDA. At the same time BPKAD would check the documents, data input, and prepare the reporting for finance transaction, asset recording and reconciling.	M
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, the functions are segregated appropriately in Perkimtan and BPKAD.	L
4.10 Do budgets include physical and financial targets?	Yes, they include physical and financial targets.	M
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes, budgets are prepared with performance based. All activities are prepared in detail so that its monitoring can be done in order to attain the expected targets/outcomes.	M
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Yes, they are compared monthly and discussed by all government agencies quarterly. All significant variations have been addressed.	M
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	L
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Yes	L
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	The division head of the dinas Perkimtan is the responsible for preparation the budgets, whilst the head of dinas is for approval and the secretary of dinas is for monitoring/oversight.	M
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different	Yes, the budget is prepared in several stage either for bottom-up and/or top-down processes. Currently the process of budgeting is taken manually starting from preparing it by head of sub-division of the agency, checked by the secretary, approved by head of the agency and proposed/examined by head of Bappeda.	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
components, and prepare the budgets?		
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes, the plans and budgets is prepared by staff of the agency which have adequate education and experience tained in the city training centre and Bappeda and assisted by competent consultants.	S
Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?	No, except if regarding with land requirements and resettlements.	
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	No, the counterpart funding are prepared adequately and carefully prior to project approval.	M
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	There was variations around 13-18% under-budget.	M
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes for (i),(ii),(iii), (iv) and (v). To process the payment would need: i). ToR, SPK, physical progress report, SPP and SPM; ii). The documents checked and verified according to its validity and multiplication calculation with unit prices properly; iii). The original documents kept in the agency vault and its copies submitted to BPKAD	L
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and	Yes, after the payment done, first page of SP2D submitted by BPKAD issues SPM and SP2D in which the invoices are stamped PAID and posting to SIMDA in accordance with its account code.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
clearly marked for account code assignment?		
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Yes, the agency hand SPP of the payroll to BPKAD with all attachment comprising names, position, grade, status and amount. Then BPKAD will check the SPP and other supporting documents prior to issue SPM and SP2D.	M
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Accrual-based accounting system since 2015 followed by entity and project in line with Permenkeu (MoF regulation) no.217/PMK.05/2015.	L
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	The accounting standard applied based on PP no.71/2010 on SAP and based on Perda no.16/2015 on update to principles of the city administration finance management and Perwali no.64/2014 on accrual basis accounting system.	L
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes, see point 4.22 above.	S
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes, according to the city govt. accounting policy.	L
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Everytime perwali issued on finance and accounting policy it must be followed by all SKPD.	M
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes, the Permendagri no.13/2016 contain policy principles of local financial management that must be applied by all local government. See also point.4.22	L
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes, they are contained in the regulation as point 4.22.	M
4.28 Are manuals distributed to appropriate personnel?	Yes	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
4.29 Describe how compliance with policies and procedures are verified and monitored.	Yes, by Perwali no.49/2015 on Accounting Policy of the City and Perwali no.64/2014 on Accounting System.	S
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Bp Sopandi Budiman, Head of Local Financial Board of City of Bekasi.	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Yes, it is in accordance with Perwali no.101/2016 on cash payment manuals and Perwali no.101B/2016 on cash receipts manuals.	L
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	The city issued Perda for each kind of tax and/or retribution collection which comply with Perda no.1/2011 with regular update on kind and its amount respectively. Cash receipt recording is conducted by a treasury head on each department and integrated connected with SIMDA while controls are on departments that responsible for.	M
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes every month.	L
4.34 Are all reconciling items approved and recorded?	Yes	L
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	L
4.36 Are there any persistent/non-moving reconciling items?	No	L
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes	M
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	The cash balances are maintained maximum of 1 month of each department operating needs. It can be revolved when already used of 50% minimum.	L
4.39 For online transactions, how many persons possess USB	Each of finance staff the department has userID and password to access the online system according to his/her authorization.	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
keys (or equivalent), and passwords? Describe the security rules on password and access controls.		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Perda no.4/2009 on Local Asset Management and Perwali no.5B/2016 on System and Procedure of Local Asset Management.	M
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes, the asset management carried out by the asset division of BPKAD which has fix asset list that is being adjusted monthly after payment was done on every SKPD. Local govt. asset could not be encumbered or liened or pledged to any bank which according to the national financial laws.	L
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	The list of asset is updated regularly and matched with its detail. Its certificates and ownership documents of vehicle, land and building are kept safe in BPKK vault.	M
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Securities are kept safe in BPKK vault and registered according to the date of its issuance.	M
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes, according to regulation applies, see point 4.40	M
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	The asset manager issues asset disposal letter according to a recommendation from a team formed by the mayor – and next the mayor is to approve it – and the asset manager is to prepare the report to the mayor. Each of the asset is protected administratively, physically and legally according to Perda no.4/2009 jo no.5B/2016.	M
4.46 Are assets sufficiently covered by insurance policies?	Some assets that are considered critical for sustainability of public services and for vehicle of core officials due to limited of its budget.	M
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	MoF Regulation no.1/PMK.06/2013 on Asset Depreciation of Government Entity.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
4.48 Describe any other regional offices or executing entities participating in implementation	Local Financial Board of Bekasi (BPKAD)	L
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	According to the person function and responsibility stipulated by BPKAD	L
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Segregation of financial duties are as follow: 1) sub-division of program and reporting is responsible for budget reporting; 2) sub-division of finance is responsible for recording and finance reporting; 3) sub-division of staffing and asset is responsible for personnel recording and asset.	M
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Information and financial data among SKPDs are processed through SIMDA which has been integrated and online, so the information definitely timely fashion and accurate.	M
4.52 Are periodic reconciliations performed among the different offices/ implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Yes, periodic reconciling between SKPD and BPKAD are taken every 6 month. If there is any difference in recording it have to be addressed and finished before the next reconciling.	M
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	There is no sub-accounts under the advance fund.	M
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of	The official of goods and services procurement undertakes bidding activity in accordance with Perpres no.54/2010 jo no.4/2015 on Government Goods and Services Procurement. PPTK is the official to execute the	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	activity and obliged to prepare contract documenting. PPTK also keeps the contract and other its supporting documents till auditing activity finished.	
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes, by the official of goods/services procurement delivers bidding documents and contract to the secretary of the agency to be further processed	M
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	If there is any project discrepancies, particularly related with the bidding and physical progress and financial PPTK is obliged to prepare a report of it to head of the agency to be further addressed.	M
5.1 Is there an internal audit (IA) department in the entity?	Internal auditing is conducted by the Local Inspectorate Office which is one of a city agency according to Perda 18/2016 on the local department structure format of Bekasi.	S
5.2 What are the qualifications and experience of the IA staff?	APIP/functional auditor with various grade and the minimum experience since 2010.	L
5.3 To whom does the head of the internal audit report?	To the city mayor	L
5.4 Will the internal audit department include the project in its annual work program?	Yes, contained in PKPT/program kerja pengawasan tahunan (annual auditing work program) comprising auditing, reviewing, monitoring, evaluation include consultancy work.	L
5.5 Are actions taken on the internal audit findings?	Yes, all findings have been addressed and written in the audit report periodically.	L
5.6 What is the scope of the internal audit program? How was it developed?	The scope comprising all activities contained in APBD. Every year Inspectorate arranges PKPT (annual oversight work program). The program prepared based on its risk (The mayor decree no.700/KEP.381-ITKO/VIII/2017). The audit report issued annually in accordance to Perwali no.12/2017. There is SPIP task force at each of agency.	L
5.7 Is the IA department independent?	Yes, it is independent agency which is part of the city government and its head is promoted by the mayor.	M
5.8 Do they perform pre-audit of transactions?	Yes, and its findings are submitted to the related agency and when deviant indication found then it would be continued with particular auditing.	L
5.9 Who approves the internal audit program?	The mayor approves the internal audit program contained in the PKPT (annual oversight work program), then submitted to the governor (province) to be synchronized with in provincial Inspectorate.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
5.10 What standards guide the internal audit program?	1) SPKN of 2007 which adopted International Standard of Auditing (ISA), and 2) Public Accountant Professional Standard (SPAP) and 3) Perwali no.59/2017 on Amendment to Perwali no.46/2016 stipulating Internal Audit Charter of Kota Bekasi.	L
5.11 How are audit deficiencies tracked?	When i) the documents submitted inadequate, and ii) it violates the prevailing regulation by a team leader for mal-auditing.	S
5.12 How long have the internal audit staff members been with the organization?	At least 8 years	L
5.13 Does any of the internal audit staff have an IT background?	Yes, there are 2 persons with an IT background.	L
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Twice a year with all the SKPD and all auditor team member aside from meet with BPK/BPKP.	M
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Yes they reported many kind of issues starting with undisciplined recording.	M
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	No they have not since a long time ago.	S
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the reports is audited every 6 month by BPK which is external auditor. BPK is to review LHP (audit internal report by Inspectorat) and to arrange audit program.	L
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Financial auditing is carried out on time and LHP is to submitt in August of the following year.	L
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Auditing standard by BPK uses SPKN and ISA.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
6.4 Were there any major accountability issues noted in the audit report for the past three years?	None, that's why the city awarded WTP (unqualified) opinion over 2 years consecutively (2015, 2016).	M
6.5 Does the external auditor meet with the audit committee without the presence of management?	There is no audit committee at the city government. Anyway coordination meeting between SKPD and the mayor is attended by Inspectorat instead of BPK.	S
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	BPK frequently uses a public accountant particularly in auditing a certain SKPD.	L
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	Any incomplete documents and mistaken recording would be provided in LHP (auditing result report) of BPK.	L
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	No	H
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	None	M
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	BPK/BPKP will audit all accounts with no exception, auditing is carried out since planning stage to the payment. BPK may request external public accountant to assist.	L
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that	None. If there is any incomplete of the project, the rest of the money received must be returned.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
have not yet been implemented?		
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes, certainly.	L
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, includes revisions to the RKA (budget work plan) and its ToR for each project.	L
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	Yes, starting from planning docs, bidding, contract agreement, goods/services recording till assets/goods handover.	L
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	N/A	
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No significant audit findings over last 2 years.	L
[For second or subsequent projects]	N/A	
6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?		
7.1 Are financial statements and reports prepared for the entity?	Yes, they are included in LRA (the budget out-turn reports for each department) for each department generated by SIMDA.	L
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Yes, the implementing unit has its own financial statements prepared by SIMDA as well.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	It is prepared on monthly, quarterly, semi-annually and annually as well and in a timely fashion generated by SIMDA so as can be useful for decision making.	L
7.4 Does the entity reporting system need to be adapted for project reporting?	Yes, BPKAD currently is preparing the more specific application for the project starting from planning unto payment, includes monitoring and reporting. The app hopefully can be finished this year.	M
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	As in Banda Aceh, there has been technical guidance from MPWH that stipulates, among others, financial management reporting. The agency (Perkimtan) uses financial report normally as SKPD use.	M
7.6 Are financial management reports used by management?	Yes, they are used by department heads as budget users, Bappeda for monitoring and evaluation and above all by the mayor to scale the achievement of the city targets contained in the RPJMD.	M
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes, actual budget report also include comparison with its budget plan and programmed allocations as well which is automatically generated by the SIMDA.	M
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial report prepared by the financial sub-division of the department through SIMDA application system, while project financial reports are prepared manually with input data taken from SIMDA.	M
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Currently the budget division of BPKAD is preparing application for the project planning and monitoring i.e., Prodiget which expected to be linked with SIMDA to control the data synchroization with the main financial data.	L
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	The agency (Perkimtan) has no experience yet with the other donors.	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Bekasi	Potential Risk Event
8.1 Is the financial accounting and reporting system computerized?	Yes, with the SIMDA application system.	L
8.2 If computerized, is the software off-the-shelf, or customized?	The application is customized by SIMDA laboratory.	L
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	It is integrated and online across all the city departments.	L
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	The project financial data will be soon integrated with the entity through a module namely Proddget which is still being developed.	L
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes, it used for directly generating periodic financial statements.	L
8.6 Can the system automatically produce the necessary project financial reports?	Yes, the reports is compulsory based on Permendagri no.13/2006 and SAP.	L
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, the staff of SIMDA get training every year.	L
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes, since each user have user id and password according to their task and authority.	L
8.9 Are there back-up procedures in place?	Yes, and backed up by SIPKD laboratory.	L
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Data stored in the back-up mirror server at a secured location away from disaster.	L

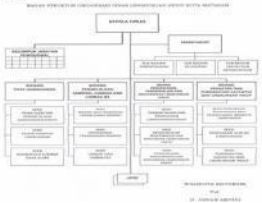
Annex 4: FMAQ Mataram

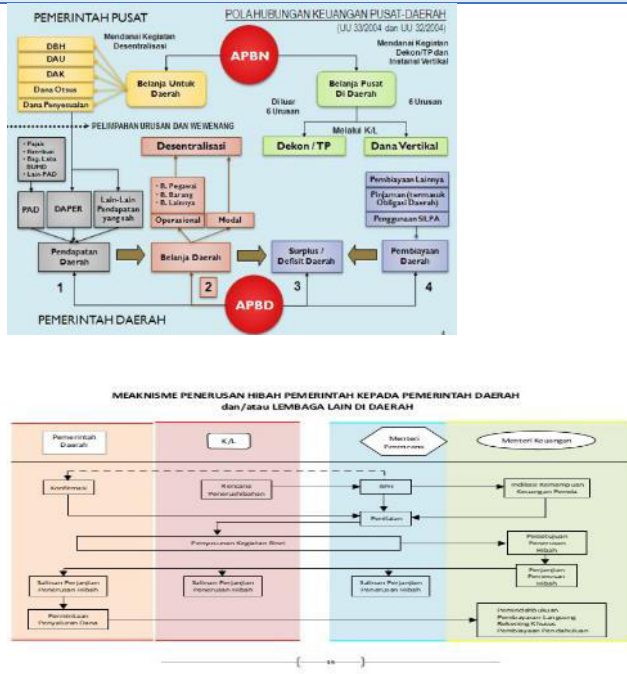
Annex A Financial Management Assessment (City of Mataram GM)


The assessment has followed ADB's **Guidelines for the Financial Management and Analysis of Projects** and ADB's **Financial Management Assessment Questionnaire (FMAQ)**, and ADB's **Financial Management Technical Guidance Note, May 2015**. In conjunction with the FMAQ the assessed individual risks are categorized as follows:

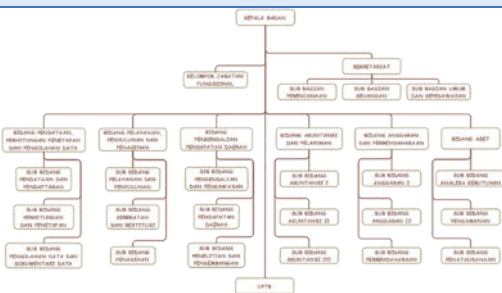
- High - likely to occur, will have high impact if occurs
- Substantial - unlikely to occur, will have high impact if occurs
- Moderate - likely to occur, will have low impact if occurs
- Low - not likely to occur, will have low impact if occurs

In the Tables below **N/A** stands for not applicable.

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
1.1 What is the entity's legal status / registration?	Independent legal status based on Perda Kota Mataram no.15/2016 on Arrangement of Local Government Agencies of the City of Mataram	L
1.2 How much equity (shareholding) is owned by the Government?	100%, under the City of Mataram Government	L
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	No	L
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	No	L
1.5 Briefly describe the statutory reporting requirements for the entity.	In line with accrual basis reporting system since 2016. Final accounting report of revenue and expenditure at end of a year.	L
1.6 Describe the regulatory or supervisory agency of the entity.	Inspectorate Office of local agency and Accounting Dept of BKD (Local Financial Board). The system used has been online and integrated.	L
1.7 What is the governing body for the project? Is the governing body for the project independent?	There are PUPR agency and Provincial Task Force of PLP (for physical facilities development) and Environment agency (LH, for operational of the facility built; by Dept.of Solid Waste, Waste Water and Dangerous Effluent [B3]). Each of them are independent. Also Health agency is for community empowerment and compliance coach and environment capacity enhancement).	L
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	See Perda no.15/2016 on Organization Structure of Environment Agency. 	L
1.9 Does the entity have a Code of Ethics in place?	Yes, it is stipulated by Perwali (Mataram Mayor Regulation) no.35/2017 on Code of Ethics on Good and Services Procurement of the City of Mataram	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	No. Anyway there were administration issues generally (the way to prepare the bill and error in financial recording)	L
Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	 <p>The diagram illustrates the flow of funds from the Central Government (Pemerintah Pusat) to the Local Government (Pemerintah Daerah) and other institutions. It shows the flow of funds from the Central Government's Budget (APBN) to the Local Government's Budget (APBD) through various channels, including the Disbursement of Funds (Dana) and the Disbursement of Funds (Dana). The diagram also shows the flow of funds from the Local Government to the end-users (suppliers, contractors, etc.).</p>	L
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes, the local agency that has adequate experience in managing the grants/loans through was PUPR not LH (LH has the function and responsibility to manage the operational of WWT facilities).	H
2.3 Are the disbursement methods appropriate?	Yes.	S
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	Slow disbursement, lack of counterpart funding, and lack in procuring the contractors.	H
2.5 In which bank will the Advance Fund Account (if applicable) be established?	PT. Bank NTB (provincial local bank)	H
2.6 Is the bank in which the Advance Fund Account is established capable of – • Executing foreign and local currency transactions?	No advance fund was proposed. The disbursement for through the local agency was only in Rp currency. Already service of on-go loans from OECF and Bank of Japan. There is no L/C administration services yet. The loan credit transaction volume in 2016 reached Rp. 5.09 trillion (around US\$ 375 billion) .	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
<ul style="list-style-type: none"> • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly? 	Yes, the bank issues reports on monthly basis (quarterly and semi-annually and annually as well comply with the Central Bank).	
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/ required?	No advance fund was arranged.	S
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes (amongst is Eastern Islands Urban Development Sector Project which included the city of Mataram)	S
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	<p>Yes</p>  <p>The diagram illustrates the grant disbursement mechanism. It shows a flow from PEMDA (Local Government) to R/L (Regional Office) to KEMENKEU (Ministry of Finance). The process involves: 1. Submission of grant proposal by PEMDA to R/L. 2. Review and approval by R/L. 3. Submission of approved proposal to KEMENKEU. 4. Disbursement of funds from KEMENKEU to R/L. 5. Disbursement of funds from R/L to PEMDA. The diagram also mentions 'Pihak ketiga' (Third party) and 'Penerima manfaat' (Beneficiary).</p>	L
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No. The fund received in Rp currency. The exchange risk is on the national government.	L
2.11 How are the counterpart funds accessed?	Through the city fund to be allocated.	H
2.12 How are payments made from the counterpart funds?	Depend on the project activity schedule and in conjunction with the counterparts.	H
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its	Currently no fund flowing to NGOs. Though it will set up a reporting system to track the use of the project proceeds of fund undertaken by other party.	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
systems to track the use of project proceeds by such entities?		
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Yes the community would need to contribute anyway. Need further study and written down in a local regulation.	H
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.		H
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	Using existing staff	M
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	Some staff have accountant certified	L
3.4 Is the project finance and accounting function staffed adequately?	Yes	S
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes	S
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	No.	M

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
3.7 What is the duration of the contract with the project finance and accounting staff?	The staff is government affiliates personnel for long term.	L
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	The key positions required will be contracted and filled.	L
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	No new staff	L
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	No	L
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low	L
3.12 What is training policy for the finance and accounting staff?	National accounting standar according to need. There are workshop annually in relation to compliace of financial report preparation.	S
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Workshop on system change from cash basis to accrual one. Workshop of local government financial management by Directorate General of Financial Balance. Training and socialization of government internal control.	S
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the	Yes they have an accounting system established by the national government.	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
entity accounting system? If not, what accounting system will be used for the project?		
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes there are controls set out regarding the project preparation and transactions.	S
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Yes the chart of accounts is currently adequate to properly account for and report on project activities and disbursement categories. It follows MoF Regulation no.160/PMK.05/2015. Besides there are technical guidance of financial management for pamsimas (community sanitation/waste water) projects published by CPMU Pamsimas 2013.	M
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, all cost allocations to the various funding sources are made accurately and in accordance with established agreements	L
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	Yes, the general ledger and subsidiary ledgers reconciled on monthly basis.	M
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Yes, all accounting financial reports and supporting documents are retained longterm for 13 years according to the head of national archive regulation no.36/2012 on Financial archives retention schedule.	M
4.7 Describe any previous audit findings that have not been addressed.	No	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	Yes	S
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	L
4.10 Do budgets include physical and financial targets?	Yes	S
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes	S
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Yes, the actual expenditures are compared with the budget	S
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	S
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Yes	S
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	The professional departments arrange the budgets, the head/director approves the budgets and the financial division controls the progress	S
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different	Yes	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
components, and prepare the budgets?		
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?	Yes Yes, often if regarding with land requirements and resettlements.	S
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	No	S
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Not significantly around 93-94% under the budget.	S
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes for (i),(ii),(iii), (iv) and (v)	S
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the	Yes	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
system correctly, and clearly marked for account code assignment?		
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Yes	S
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Accrual-based accounting system followed by entity and project.	S
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	National government accounting standard (Standar Akuntansi Pemerintah / SAP)	S
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes	S
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	According to need	L
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes	M
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes, the accounting regulation has obvious defined it	S
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes	S

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4.28 Are manuals distributed to appropriate personnel?	Yes	S
4.29 Describe how compliance with policies and procedures are verified and monitored.	Yes, the accounting regulation has obvious defined it	S
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Drs. H.M. Syakirin Hukmi, Head of Local Financial Board of Mataram.	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Yes	S
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes	S
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes every month.	S
4.34 Are all reconciling items approved and recorded?	Yes	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	S
4.36 Are there any persistent/non-moving reconciling items?	Yes	S
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes	S
4.38 Are any large cash balances maintained at the head office or field	No	S

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offices? If so, for what purpose?		
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	No online transaction.	S
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Yes	S
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes	L
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes	M
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Yes	
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes	M
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	Yes	S
4.46 Are assets sufficiently covered by insurance policies?	Some assets	H

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	MoF Regulation no.1/PMK.06/2013 on Asset Depreciation of Government Entity.	S
4.48 Describe any other regional offices or executing entities participating in implementation	Local Financial Board of Mataram (BKD)	S
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	According to the person function and responsibility stipulated by BKD	L
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Yes	S
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Yes	S
4.52 Are periodic reconciliations performed among the different offices/ implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Yes	S
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the assessment of the financial management capacity of	No	S

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the administrator of such sub-accounts.		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Yes	S
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes	S
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	S
5.1 Is there an internal audit (IA) department in the entity?	Yes, the Local Inspectorate Office	S
5.2 What are the qualifications and experience of the IA staff?	APIP/functional auditor	L
5.3 To whom does the head of the internal audit report?	To the Mayor of Mataram	S
5.4 Will the internal audit department include the project in its annual work program?	Yes	S
5.5 Are actions taken on the internal audit findings?	Yes, in Assessment Result Report along with the follow ups (LHP)	S
5.6 What is the scope of the internal audit program? How was it developed?	All fund	S
5.7 Is the IA department independent?	Yes	
5.8 Do they perform pre-audit of transactions?	Yes, included in their coaching program.	S
5.9 Who approves the internal audit program?	The city of Mataram Government	S

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
5.10 What standards guide the internal audit program?	National empowerment staff regulation no. PER/9/M.PAN/5/2007 on General guidance of main performance indicator for Government Institutions.	S
5.11 How are audit deficiencies tracked?	Audit deficiencies are tracked on time	S
5.12 How long have the internal audit staff members been with the organization?	At least 5 year	L
5.13 Does any of the internal audit staff have an IT background?	Yes	L
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Frequent	L
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Yes	L
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes	S
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, BPK and BPKP	S
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	No, in every year	L
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	National Auditing Standard	S

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6.4 Were there any major accountability issues noted in the audit report for the past three years?	No	S
6.5 Does the external auditor meet with the audit committee without the presence of management?	Yes	S
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	No	S
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	No	L
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes	S
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	No	L
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, by BPK and BPKP	L
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that	No	L

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have not yet been implemented?		
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes	L
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes	L
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	Yes	L
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes	L
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No	L
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	No	L
7.1 Are financial statements and reports prepared for the entity?	Yes, based on National/Regional Government Accounting Standar (SAP)	L
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Yes	L

Topic	ADB PPTA 9198-INO: 2017/2018 City of Mataram	Potential Risk Event
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Yes, on monthly, quarterly, semi-annually and every year.	L
7.4 Does the entity reporting system need to be adapted for project reporting?	No	L
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	No	M
7.6 Are financial management reports used by management?	Yes	L
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	L
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Yes, automatically by reporting information system	L
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes	L
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, Provincial Task Force for WW/Sanitation (Satker PLP)	S

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8.1 Is the financial accounting and reporting system computerized?	Yes	L
8.2 If computerized, is the software off-the-shelf, or customized?	Off the shelf	L
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Intergrated	L
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Automatic, with its specified modules	L
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes, automatic	L
8.6 Can the system automatically produce the necessary project financial reports?	Yes	M
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, adequately	M
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes	S
8.9 Are there back-up procedures in place?	Yes	S
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	With export/import data among each department to accounting entity. Data stored in the live server and its back up system with offsite data storing.	S

Annex 5: FMAQ JABAR Province SATKER

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
1. EXECUTING/ IMPLEMENTING AGENCY		
1.1 What is the entity's legal status / registration?	Satker PSPLP Provinsi JABAR is an organization under the Direktorat PPLP (Environment Development), Ditjend Cipta Karya, Kemen PUPR (Ministry of Public Work and Housing).	L
1.2 How much equity (shareholding) is owned by the Government?	100% owned by the central government.	L
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	None	L
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	None.	M
1.5 Briefly describe the statutory reporting requirements for the entity.	Biweekly: physical progress and disbursement report Monthly: progress report, financial report Yearly: LAKIP (performance report that includes physical and financial progress).	L
1.6 Describe the regulatory or supervisory agency of the entity.	PP 60/2008 stipulates SPIP (government internal control system). Internal auditing is carried out by Inspectorat agency and external auditing by BPK (regards to the financials) and BPKP (regards to the performances).	L
1.7 What is the governing body for the project? Is the governing body for the project independent?	The Satker (project implementing unit) are parts under Direktorat PPLP (Environment Development)	L
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	The organization structure is attached. The structure has been in effect across Indonesia and based on reviewed conducted by MPWH and Ministry of PAN (government official empowerment)	L
1.9 Does the entity have a Code of Ethics in place?	Yes, it refers to code of ethics published by the ministry of PAN.	S
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	The violations are generally regarding to administration/absence. The impact of absenteeism is that the incentives will be reduced.	S
2. FUNDFLOW ARRANGEMENT		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	National budget fund flows: proposed of project budget → Direktorat PPLP budget → Ditjen Cipta Karya budget → Kemen PUPR budget → Kemen Keuangan → President → DPR (for approval) Disbursement: 1. ICB contract	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
	Satker →Direktorat PPLP →Ditjen CK →KPPN Khusus →ADB →contractors, consultants 2. NCB contract Satker →Direktorat PPLP →Ditjen CK →KPPN Khusus →contractors, suppliers, consultants, beneficiaries	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes the arrangement has been satisfactory. Project arrangement comprising: Planning, budgeting, procuring, physical work, monitoring & evaluation, payment, hand over, asset recording.	L
2.3 Are the disbursement methods appropriate?	Yes, the disbursement has complied with state finance policies and procedures.	L
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	1. Physical project in complete because of improper planning, selection of contractors based on the low bid price winner 2. For disbursement of contract over Rp 1 billion, it will takes working 5 days if all documents are complete 3. KPPN request; 1) request disbursement for, 2) copy of contract and addendum,3) physical and financial progress	L
2.5 In which bank will the Advance Fund Account (if applicable) be established?	Bank Indonesia, Bank Mandiri	L
2.6 Is the bank in which the Advance Fund Account is established capable of – • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	No foreign currency over last five years.	M
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/required?	Yes, it has been appropriate according to its requirements (3%).	L
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	No	M
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	No	M

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2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	There has been no foreign currency components.	M
2.11 How are the counterpart funds accessed?	Proposed project budget → APBN → input data to RKAKL (working plan and budget) → bidding → winner → SPK (working commencement letter) and contract → construction → physical progress	L
2.12 How are payments made from the counterpart funds?	Payment request (approved by Satker) in the format of SPP/SPM → payment by KPPN Khusus (special state treasury) issued SP2D → data input to SAIBA	L
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	The contract signed between PPK with KSM (operator which is formed by desa/village). Project fund flowing to community is using particular reporting and monitoring is Fund Disbursement Report.	H
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Yes, 3% from capex for land acquisition, meals for meeting, community outreach etc	M
4. STAFFING		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	The organization structure of Satker PSPLP is attached.	L
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	They propose at least 10 additional staff require for the proposed projet. Treasury (2), SPM (2), BMN (1), Monev (1), and Pokja Procurement (4)	M
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	The financial staff comprises ones dealing with capital expenditure, and direct and indirect expenses. They have bachelor degree in accountancy and economic, and get training regularly from MoF and Inspectorat agency.	M
3.4 Is the project finance and accounting function staffed adequately?	Not enough.	M
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes, the Treasury, SPM (document checking), Budgeting, BMN and Monev have more than 10 years experience, bachelor degree background and have rekated trainings on finance.	L

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3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Financial and accounting staff have no experience with any ADB project.	M
3.7 What is the duration of the contract with the project finance and accounting staff?	The core staff of financial and accounting are civil servants, and their assistant hired from non-civil servant. The civil servants has contract until 58 years old and for non-civil servant has contract 1 year, and can be extended every year until they are capable to become civil servant Civil servant 23 Non civil-servant 10 Total 33	M
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	All key positions of project and accounting staff are permanent	L
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	The Treasury (2), SPM (2), BMN (1), Budgeting (1) and Monev (1). The should have minimum 10 years experience in finance and accounting, and bachelor degree in economics, finance and accounting	M
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes, MOF, MPWH and MenPAN has rules and regulations.	L
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low turnover, they would only be replaced as to be retired and/or move to other section/division/agency. 2015: In 2 out 1 2016: In 0 out 1 2015: In 3 out 1	L
3.12 What is training policy for the finance and accounting staff?	Each year the finance and accounting staff have attended workshop, seminar, socialization, refreshing for treasury, disbursement, assets, planning and budgeting. They also attended financial application system training every year to increase their capability.	M
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Training about updating application such as RKAKL, SAIBA, SAS, SILABI, SPM, SIMAK BMN. As well as increase knowledge such tax, disbursements, planning and budgeting, treasury.	L
ACCOUNTING POLICIES AND PROCEDURES		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in	Yes, they have 6 application system; RKAKL (budgeting), SAS (treasury), SPM (disbursement), SILABI (reporting), SIMAK BMN (assets). SAS, SILABI and SPM are integrated. This system has been used for about more than 10 years. For the proposed project, the existing system can be modified.	M

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particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?		
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Payment is carried out as follow: SPP (payment request) prepared by PPK (project implementing official) with attached of ToR, SPK, contract letter and physical progres report. The documents submitted to SPM Verificator then to issue SPM (payment order). SPP and SPM signed by Treasury and Head of Satker and submitted to KPPN (State Treasury Office) for payment realisation and transferred to contractor/ supplier bank account.	L
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Project account code have adequately match with its budget account code in line with MoF policy. If the project account code does not yet exist the financial section need to request to KPPN.	L
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, the project budget allocation must be in accordance with RKAKL/DIPA so there would be no deviant payment. In line with Permen Keu PMK 22/PMK/05/2016.	L
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	The general ledger and subsidiary ledgers are reconciled monthly between Satker and KPPN, Satker and Direktorat PPLP, Satker and Bank. Actions are taken on the spot due to any differences.	L
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Accounting records including supporting documents (bid evaluation report, letter of award, contract, invoice, performance guarantee are retained for 5 years in current storage and proper filing for easy to access, while the ones over 5 years retained in the central warehouse.	S
4.7 Describe any previous audit findings that have not been addressed.	The previous audit findings have been solved.	H
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv)	(iv) Carried out by the budget user (PPK) and one that have budget user authority. PPK has input into RKAKL and SPM application software. Then submit to SPM/ Treasury (v) Carried out by SPM Verificator for verify and issue SPM for the contract to third party. Carried out by Treasury for verify and	L

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reconciliation of bank accounts and subsidiary ledgers?	<p>issue SPM for the internal expenses. SPM Verificator and Treasury has inputted into SP2D application. SPM Verificator and Treasury have to submit SPM to KPPN for payment.</p> <p>(vi) Monev import data from SPM to EMON application to prepare financial report</p> <p>(vii) BMN used the SPM and SP2D for asset recording according to its verification result.</p> <p>(viii) SPM Verificator and Treasury have to reconcile with KPPN and Bank on daily basis.</p>	
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, according to SAP, the functions segregation must be taken at the agency Satker appropriately.	L
4.10 Do budgets include physical and financial targets?	Yes, the budgets have to be output based which segregate budgets and physical targets.	L
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	There are account codes that accommodate the budget and transactions in detail. The account codes have been adjusted for project activity for easy monitoring.	L
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	In 2016 fiscal year, the budget absorption was 95% and in 2017 of 96%. These happened among others due to physical targets, travel expenses, and stationery	L
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	Yes, the variation of budget absorption could be seen in advance and afterwards it was to be amended 4 times because of physical target achievement.	M
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	No variation from the budget without prior approval. The RKAKL/DIPA systems will block if the disbursement above budget ceiling.	L
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	Head of Satker and PPK prepared annual proposed budget and submitted to Direktur PPLP for verification and inspection based on strategic plan and needs. Afterwards the Direktur PPLP would submit it to the Head of Satker for approval.	L
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The budget prepared by Head of Satker → submitted to the Direktur PPLP for checking, verification and consolidation → submitted to the DirJen CK for checking, verification and consolidation → submitted to Kemen PUPR for checking, verification, consolidation to be adjusted with the city RPJM and Renstra → submitted to Kemen KEU for checking,	S

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	verification, consolidation → and submitted to DPR (the parliament) for approval.	
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	The project and budget planned to be put in RKAKL (work plan and its budget) of Satker. The budget should be adjusted according to the Kemen PUPR strategic plan (Renstra) and needs. The plan and budget prepared by the Head of Satker and Team who have adequate experience and competence.	S
Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?	The budget revision was taken due to late bidding and lack of its contractor in realising the project.	
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	Counterpart funding was examined based on needs and the project budget capacity to avoid deviation.	
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	There was deviation around 4-5% and tent the same over several past years.	
PAYMENTS		
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes, to process the payment would need: i). ToR, SPK, physical progress report, SPP and SPM; ii). The documents checked and verified according to its validity and multiplication calculation with unit prices properly; iii). The original documents kept in Satker PSPLP storage and its copies submitted to KPPN.	M
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Yes, after the payment done, first page of SP2D submitted by KPPN to Satker, which was a valid proof of the payment so it doesn't need stamp PAID.	M
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Yes, every day all employees should be placing a finger on the recording machine. This machine will automatically record on the incoming and outgoing of each employee. Online employee absentee data goes to employee data either in Satker or in Direktorat PPLP Jakarta. Based on these data the Direktorat PPLP will make payroll list of civil servants and non civil servants sent at the end of month to KPPN. KPPN will pay the	L

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	salary and transfer the bank account each employee.	
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Payroll calculated based on cash and accrual basis.	L
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	The government accounting standard applied based on PP no.71/2010	L
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes, the project financial policy and procedure refers to UU 17/2003 of state finance, PP 71/2010 of government accounting standard, PP 29/2014 of system of government accountability report, Permen PUPR 09/PRT/M/2018 of system of government accountability report in public work, and SE 29/SE/DC/2017.	L
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes, the guidance of financial project policy and procedure is subject to change according to the ministry of public work accounting policy.	L
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes, every Permen or circulation letter published pertaining to financial and accounting policies must be followed by all Satker	L
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	L
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Covered by Indonesia Laws.	L
4.28 Are manuals distributed to appropriate personnel?	Yes	L
4.29 Describe how compliance with policies and procedures are verified and monitored.	Every semester by internal auditor (Inspektorat Jendral) and yearly audit by external audit (BPK).	L
CASH AND BANK		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Rika Surtikasari, SE, and Indra Gunawan, ST, MT as authorized signatories for Satker PSPLP JABAR.	L
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Satker has maintain receipt and expenditure recording and cash book into SAIBA and SAS of accounting and finance application.	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	N/A, Satker has only authority for budget spending.	L
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Bank accounts are reconciled on monthly basis with the records in SAIBA and SAS. Petty cash transactions are recorded as a cash on hand and physically verified and reconciled with the cash books every day.	L
4.34 Are all reconciling items approved and recorded?	Yes, all reconciling items in SAIBA and SAS are approved and recorded.	L
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, every day SAIBA and SAS should be reconciled with KPPN. While bank account should be reconciled every month.	L
4.36 Are there any persistent/non-moving reconciling items?	No, reconciling items keep changing every day.	M
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes, transaction control is carried out by 8 persons; Head of Satker (1), PPK (3), Treasury (1), SPM Verificator (1), Monev (1), BMN (1). They provide signature and deliver to the KPPN for payment. The SPM Verificator has password access to SAS with Treasury they are able to do check and verification.	M
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	Under Kemen PUPR regulation that cash balance in safe deposit box is Rp 50 million. The purpose of this cash is use for travel, maintenance, electricity, telephone bill, fuel, stationery, meals for meeting etc. It can be reimbursed minimum of 50% disbursement (Rp 25 million).	M
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	There are 8 key person who possess the keys and passwords.	M
SAFEGUARD OVER ASSETS		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Own assets: The policies and procedures to safeguard assets conducted based on: 1) status and ownership certificate; 2) record and use; 3) every asset is labeled. The administering asset stipulated based on PP no.27/2014 about local owned goods/asset. Grant assets: Minutes of assets management is signed by the local government and declares that local government will finance O & M. The Satker will collect documents; bid evaluation report, work order, contracts, invoices, payments, progress reports.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
	Local government is signed the statement that ready to receive grant assets. The Satker records assets based on the types of assets, acquisitions, depreciation, locations and book values	
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Asset management carried out by BMN (state own assets) which has recorded in the SIMAK BMN application. The application has provided fixed asset register that is being adjusted monthly after payment was done. In this application, all assets whether this assets owned by Satker or grant assets will be recorded based on types of assets, acquisitions, ownership, depreciation, locations and book values.	M
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes, the list of asset is updated on semester basis and matched with its detail. Its certificates and ownership documents of vehicle, land and building are kept in safe deposit box.	L
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Securities are kept safe in Satker deposit box and registered according to the date of its issuance. each asset is numbered or labeled in particular vehicles, furniture, vehicles, computers and laptops.	M
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes, every year the physical inventory of assets and stocks are reconciled with its registers and any discrepancies would be addressed.	M
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	The policy and procedure of asset disposal are as follow: 1) for asset with the value under Rp 1 million by head of Satker with copied to proposed by the related SKPD; 2) for the value of Rp 1 million and above, the disposal taken by BPKK with a recommendation by the asset disposal team. Assets that are in heavily damaged, lost should be eliminated from the asset registered. Disposal procedure: The Satker prepare a letter for propose disposal assets to the Direktur PPLP Direktur of PPLP then prepare a letter of aset disposal to Satker Satker establishes the assets disposal committee to estimate the value of assets Direktur PPLP issued of approval disposal letter to Satker Satker sent this letter to KPKNL (State Wealth and Auction) for assets disposal approval KPKNL issue the approval letter	M
4.46 Are assets sufficiently covered by insurance policies?	Some asset covered by insurance are only vehicles that considered have high risk for safety.	M
4.47 Describe the policies and procedures in identifying and	The asset subject to depreciation are: 1) machine and equipment; 2) buildings; 3) roads and	S

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
maintaining fully depreciated assets from active assets.	network constructions. Depreciation method used are straight line with end book value equal to zero. In application of SIMAK BMN, the depreciation is automatic calculate.	
OTHER OFFICES AND IMPLEMENTING ENTITIES		
4.48 Describe any other regional offices or executing entities participating in implementation	Direktorat PPLP as the implementing agency for managing the construction WWTP and sewerage.	M
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	Budget office is responsible to prepare work plan and budget SPM officer verifies and issues SPP and SPM for contractor and supplier with signed by head of Satker and submit to KPPN for payment. The Treasurer issues SPP and SPM for operational expenses such as utilities, car expenses, travel expenses, operation & maintenance and makes payment. BMN officer in charge of inputting asset data into SIMAK BMN. Recording, safeguarding, securing assets and hand over completed assets to LG. Monev officer is in charge of preparing physical and financial progress reports, monthly financial reports and LAKIP (performance report).	M
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Segregation of financial duties are as follow: 1) Budget office is responsible for prepare work plan and budget 2) SPM and Treasurer for payment and disbursement 3) BMN in charge for recording, safeguarding, securing assets and hand over completed assets to LG. 4) Monev officer in charge for preparing physical and financial progress reports, monthly financial reports and LAKIP.	M
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Yes, Direktorat PPLP as the head agency acting as implementing agency for managing the construction of WWTP and sewerage. The coordination between the Direktorat PPLP and Satker is close due to they are connecting with integrated online system, so that all physical and financial progress is monitored at all times and accurate.	M
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Yes, daily reconciliation for SPM and SP2D between Satker and KPPN. And they do monthle reconciliation between Satker and Bank as well as Satker and Direktorat PPLP. Should any difference in recording have to be addressed and finished before the next reconciliation.	M
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the	There is no sub-accounts under the advance fund.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
assessment of the financial management capacity of the administrator of such sub-accounts.		
CONTRACT MANAGEMENT AND ACCOUNTING		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	The POKJA Procurement is temporary committee to undertakes bidding activity. PPK is the official to execute the activity and obliged to prepare contract documentation. PPK has also to keep the contract and other supporting documents until auditing activity finished.	M
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	PPK, contractor and supervisory consultant is always reconciled the physical progress as well as financial progress.	M
OTHER		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	If there is any project discrepancies, particularly related with the bidding and physical progress and financial PPK is obliged to prepare a report of it to head of Satker PSPLP for further addressed.	S
INTERNAL AUDIT		
5.1 Is there an internal audit (IA) department in the entity?	Inspektorat Jenderal, Kemen PUPR	M
5.2 What are the qualifications and experience of the IA staff?	Audit certification by the Government through regular training.	M
5.3 To whom does the head of the internal audit report?	Inspektorat Jenderal to submit report to the Direktorat Jenderal Cipta Karya.	M
5.4 Will the internal audit department include the project in its annual work program?	No, Internal audit are conducted regularly yearly or semiannually and depend on the request from the relevant authority	M
5.5 Are actions taken on the internal audit findings?	The inspector conducting auditing semi annually. Should any findings would be addressed to Direktorat Jenderal Cipta Karya. Any audit findings are taken including administrative or criminal sanctions.	L
5.6 What is the scope of the internal audit program? How was it developed?	The scope comprising all activities contained in DIPA. Every year Inspectorate arranges PKPT (annual oversight work program). The program prepared based on project activities routinity and priorities, and particular auditing on specific problem.	L
5.7 Is the IA department independent?	Yes, it is an agency that part of Direktorat PPLP, Direktorat Jenderal CK.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
5.8 Do they perform pre-audit of transactions?	The Inspectorate does field auditing semi-annually, and when deviant indication found then it would be continued with particular auditing.	M
5.9 Who approves the internal audit program?	Inspektur Jenderal of Internal Audit	L
5.10 What standards guide the internal audit program?	1) SPKN of 2007 which adopted International Standard of Auditing (ISA), and 2) Public Accountant Professional Standard (SPAP).	M
5.11 How are audit deficiencies tracked?	When i) the documents submitted inadequate, and ii) it violates the applicable regulation.	S
5.12 How long have the internal audit staff members been with the organization?	< 10 years and > 10 years	M
5.13 Does any of the internal audit staff have an IT background?	All of the audit staff have IT skill particularly in relation with application used by the RKAKL, SAS, SAIBA, SIMAK BMN.	M
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Not known.	M
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not known.	M
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have experience in ADB projects.	M
6. EXTERNAL AUDIT		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the reports is audited every year by BPK which is external auditor. BPK is to review LHP (audit internal report by Inspektorat) and to arrange audit program.	M
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Financial auditing is carried out on time and LHP is to submit in June of the following year.	M
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Auditing standard by BPK uses SPKN and ISA.	M
6.4 Were there any major accountability issues noted in the audit report for the past three years?	N/A	M
6.5 Does the external auditor meet with the audit committee	N/A	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
without the presence of management?		
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	N/A	M
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	N/A	M
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, BPK has already experience in ADB project.	L
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	N/A	M
EXTERNAL AUDIT – PROJECT LEVEL		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	BPK will conduct audit project financial statements which funded by APBN/Loan/Grants.	L
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	N/A	M
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes	L
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, BPK will use the project TORs for reference in conducting the audit of project accounts.	L
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	N/A	M
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have sufficient experience with funds coming from donor institutions. However they need capacity building	L
6.16 Are there any recommendations made by the auditors in prior audit reports or	No significant audit findings over last 5 years.	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
management letters that have not yet been implemented?		
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	N/A	M
7. REPORTING AND MONITORING		
7.1 Are financial statements and reports prepared for the entity?	Yes, by accounting and financial system such as SAS, SAIBA, SIMAK BMN, and EMON, the Satker is able to produce monthly financial statements.	L
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Yes	L
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Satker able to prepare monthly and yearly financial statements. They also prepare performance report which consist of physical and financial progress, so that Satker and Direktorat PPLP can use this report for decision making.	L
7.4 Does the entity reporting system need to be adapted for project reporting?	No, there is already project report format frequently used.	L
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	No, There has been technical guidance from MPWH that stipulates, among others, financial management reporting.	L
7.6 Are financial management reports used by management?	Direktur PPLP must ensure physical and financial progress could reach the target according to DIPA (annual budget), RPJMD (medium term development plan) and Renstra (strategic plan) of the Ditjend CK. Ditjend CK and Satker could call on its contractor when the physical progress considered low.	M
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	M
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial report prepared by the SAIBA and SAS application system, while project financial reports are prepared by excell with input data taken from SAIBA and SAS.	M
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to	Project physical progress and financial report are prepared using excellsheet with data taken from SAIBA and SAS and other documents manually.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi JABAR (Bekasi)	Potential Risk Event
reduce the risk that the physical data may not synchronize with the financial data?		
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	No.	L
8. INFORMATION SYSTEMS		
8.1 Is the financial accounting and reporting system computerized?	Yes, with SAIBA, SAS system	L
8.2 If computerized, is the software off-the-shelf, or customized?	The software customized by the Ministry of Finance	L
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	It is integrated, online and used by Direktorat Jenderal Cipta Karya.	L
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Automatic.	L
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes, it used for directly generating periodic financial statements.	L
8.6 Can the system automatically produce the necessary project financial reports?	Yes, the reports is compulsory based on PP 70/2010.	L
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, the staff of Satker get training every year.	L
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes, the assign user have user id and password according to their task and authority.	L
8.9 Are there back-up procedures in place?	Yes, and backed up by external Harddisk, CD and USB.	L
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Data stored in the back-up mirror server at a secured location away from disaster.	L

Annex 6: FMAQ NAD Province SATKER

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NAD (Banda Aceh)	Potential Risk Event
3. EXECUTING/ IMPLEMENTING AGENCY		
1.1 What is the entity's legal status / registration?	Satker PSPLP Provinsi NAD is an organization under the Direktorat PPLP (Environment Development), Ditjend Cipta Karya, Kemen PUPR (Ministry of Public Work and Housing).	L
1.2 How much equity (shareholding) is owned by the Government?	100% owned by the central government.	L
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	None	L
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	There were grants from AFD (France) 450 billion, JICA Japan) 286 billion and MDF (Worldbank) 100 billion for city drainage in 2008-2012 which is after BRR closed.	L
1.5 Briefly describe the statutory reporting requirements for the entity.	Biweekly: physical progress and disbursement report Monthly: progress report, financial report Yearly: LAKIP (performance report that includes physical and financial progress.	L
1.6 Describe the regulatory or supervisory agency of the entity.	PP 60/2008 stipulates SPIP (government internal control system). Internal auditing is carried out by Inspectorat agency and external auditing by BPK (regards to the financials) and BPKP (regards to the performances).	L
1.7 What is the governing body for the project? Is the governing body for the project independent?	The Satker (project implementing unit) are parts under Direktorat PPLP (Environment Development)	L
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	The organization structure is attached. The structure has been in effect across Indonesia and based on reviewed conducted by MPWH and Ministry of PAN (government official empowerment)	L
1.9 Does the entity have a Code of Ethics in place?	Yes, it refers to code of ethics published by the ministry of PAN.	S
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	The violations are generally regarding to administration/absence. The impact of absenteeism is that the incentives will be reduced.	S
4. FUNDFLOW ARRANGEMENT		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA,	National budget fund flows: proposed of project budget → Direktorat PPLP budget → Ditjen Cipta Karya budget → Kemen PUPR budget → Kemen Keuangan → President → DPR (for approval)	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NAD (Banda Aceh)	Potential Risk Event
3. EXECUTING/ IMPLEMENTING AGENCY		
suppliers, contractors, ultimate beneficiaries, etc. as applicable.	Disbursement: 3. ICB contract Satker → Direktorat PPLP → Ditjen CK → KPPN Khusus → ADB → contractors, consultants 4. NCB contract Satker → Direktorat PPLP → Ditjen CK → KPPN Khusus → contractors, suppliers, consultants, beneficiaries	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes the arrangement has been satisfactory. Project arrangement comprising: Planning, budgeting, procuring, physical work, monitoring & evaluation, payment, hand over, asset recording.	L
2.3 Are the disbursement methods appropriate?	Yes, the disbursement has complied with state finance policies and procedures.	L
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	5. Physical project in complete because of improper planning, selection of contractors based on the low bid price winner 6. For disbursement of contract over Rp 1 billion, it will takes working 5 days if all documents are complete 7. KPPN request; 1) request disbursement for, 2) copy of contract and addendum, 3) physical and financial progress	L
2.5 In which bank will the Advance Fund Account (if applicable) be established?	Bank Indonesia, Bank Mandiri	L
2.6 Is the bank in which the Advance Fund Account is established capable of – • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	No foreign currency over last five years.	M
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/required?	Yes, it has been appropriate according to its requirements (3%).	L
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Satker PSPLP Prov NAD has no experience dealing with ADB, however Direktorat PPLP do have experience with ADB.	M
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would	No, it does not have experience with ADB yet.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NAD (Banda Aceh)	Potential Risk Event
3. EXECUTING/ IMPLEMENTING AGENCY		
support the establishment of a ceiling on the use of the SOE procedure.		
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	There has been no foreign currency components.	M
2.11 How are the counterpart funds accessed?	Proposed project budget → APBN → input data to RKAKL (working plan and budget) → bidding → winner → SPK (working commencement letter) and contract → construction → physical progress	L
2.12 How are payments made from the counterpart funds?	Payment request (approved by Satker PSPLP) in the format of SPP/SPM → payment by KPPN Khusus (special state treasury) issued SP2D → data input to SAIBA	L
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	The contract signed between PPK with KSM (operator which is formed by desa/village). Project fund flowing to community is using particular reporting and monitoring is Fund Disbursement Report.	H
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Yes, 3% from capex for land acquisition, meals for meeting, community outreach etc	M
8. STAFFING		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	The organization structure of Satker is attached.	L
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	They propose at least 15 additional staff require for the proposed projet. Treasury (3), SPM (2), BMN (2), Monev (2), and Pokja Procurement (5)	M
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	The financial staff comprises ones dealing with capital expenditure, and direct and indirect expenses. They have bachelor degree in accountancy and economic, and get training regularly from MoF and Inspectorat agency.	M
3.4 Is the project finance and accounting function staffed adequately?	Not enough.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NAD (Banda Aceh)	Potential Risk Event
3. EXECUTING/ IMPLEMENTING AGENCY		
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes, the Treasury, SPM (document checking), Budgeting, BMN and Monev have more than 10 years experience, bachelor degree background and have related trainings on finance.	L
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Financial and accounting staff have no experience with any ADB project. But they have experience in JICA, AFD, and WB project	M
3.7 What is the duration of the contract with the project finance and accounting staff?	The core staff of financial and accounting are civil servants, and their assistant hired from non-civil servant. The civil servants has contract until 58 years old and for non-civil servant has contract 1 year, and can be extended every year until they are capable to become civil servant Civil servant 22 Non civil-servant 24 Total 46	M
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	All key positions of project and accounting staff are permanent	L
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	The Treasury (3), SPM (2), BMN (2), Budgeting (2) and Monev (2). They should have minimum 10 years experience in finance and accounting, and bachelor degree in economics, finance and accounting	M
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes, MOF, MPWH and MenPAN has rules and regulations.	L
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low turnover, they would only be replaced as to be retired and/or move to other section/division/agency. 2015: In 1 out 1 2016: In 2 out 1 2017: In 0 out 1	L
3.12 What is training policy for the finance and accounting staff?	Each year the finance and accounting staff have attended workshop, seminar, socialization, refreshing for treasury, disbursement, assets, planning and budgeting. They also attended financial application system training every year to increase their capability.	M
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Training about updating application such as RKAKL, SAIBA, SAS, SILABI, SPM, SIMAK BMN. As well as increase knowledge such tax, disbursements, planning and budgeting, treasury.	L

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3. EXECUTING/ IMPLEMENTING AGENCY		
ACCOUNTING POLICIES AND PROCEDURES		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Yes, they have 6 application system; RKAKL (budgeting), SAS (treasury), SPM (disbursement), SILABI (reporting), SIMAK BMN (assets). SAS, SILABI and SPM are integrated. This system has been used for about more than 10 years. For the proposed project, the existing system can be modified.	M
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Payment is carried out as follow: SPP (payment request) prepared by PPK (project implementing official) with attached of ToR, SPK, contract letter and physical progres report. The documents submitted to SPM Verificator then to issue SPM (payment order). SPP and SPM signed by Treasury and Head of Satker and submitted to KPPN (State Treasury Office) for payment realisation and transferred to contractor/ supplier bank account.	L
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Project account code have adequately match with its budget account code in line with MoF policy. If the project account code does not yet exist the financial section need to request to KPPN.	L
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, the project budget allocation must be in accordance with RKAKL/DIPA so there would be no deviant payment. In line with Permen Keu PMK 22/PMK/05/2016.	L
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	The general ledger and subsidiary ledgers are reconciled monthly between Satker and KPPN, Satker and Direktorat PPLP, Satker and Bank. Actions are taken on the spot due to any differences.	L
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Accounting records including supporting documents (bid evaluation report, letter of award, contract, invoice, performance guarantee are retained for 5 years in current storage and proper filing for easy to access, while the ones over 5 years retained in the central warehouse.	S
4.7 Describe any previous audit findings that have not been addressed.	The previous audit findings have been solved, but some of the asset which was built after BRR closed (2008-2012) become problems. Because of several source of	H

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3. EXECUTING/ IMPLEMENTING AGENCY		
	funds is creating lack or incomplete of its supporting document that seem to be difficult to be addressed.	
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	<ul style="list-style-type: none"> (ix) Carried out by the budget user (PPK) and one that have budget user authority. PPK has input into RKAKL and SPM application software. Then submit to SPM/ Treasury (x) Carried out by SPM Verificator for verify and issue SPM for the contract to third party. Carried out by Treasury for verify and issue SPM for the internal expenses. SPM Verificator and Treasury has inputted into SP2D application. SPM Verificator and Treasury have to submit SPM to KPPN for payment. (xi) Monev import data from SPM to EMON application to prepare financial report (xii) BMN used the SPM and SP2D for asset recording according to its verification result. (xiii) SPM Verificator and Treasury have to reconcile with KPPN and Bank on daily basis. 	L
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, according to SAP, the functions segregation must be taken at the agency Satker appropriately.	L
4.10 Do budgets include physical and financial targets?	Yes, the budgets have to be output based which segregate budgets and physical targets.	L
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	There are account codes that accomodate the budget and transactions in detail. The account codes has been adjusted for project activity for easy monitoring.	L
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	In 2016 fiscal year, the budget absorption was of 96% and in 2017 of 97%. These happened among others due to physical targets, travel expenses, and stationery	L
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	Yes, the variation of budget absorption could be seen in advance and afterwards it was to be amended 4 times because of physical target achievement.	M
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	No variation from the budget without prior approval. The RKAKL/DIPA systems will block if the disbursement above budget ceiling.	L

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3. EXECUTING/ IMPLEMENTING AGENCY		
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	Head of Satker and PPK prepared annual proposed budget and submitted to Direktur PPLP for verification and inspection based on strategic plan and needs. Afterwards the Direktur PPLP would submit it to the Head of Satker for approval.	L
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The budget prepared by Head of Satker PSPLP NAD → submitted to the Direktur PPLP for checking, verification and consolidation → submitted to the DirJen CK for checking, verification and consolidation → submitted to Kemen PUPR for checking, verification, consolidation to be adjusted with the city RPJM and Renstra → submitted to Kemen KEU for checking, verification, consolidation → and submitted to DPR (the parliament) for approval.	S
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	The project and budget planned to be put in RKAKL (work plan and its budget) of Satker PSPLP NAD. The budget should be adjusted according to the Kemen PUPR strategic plan (Renstra) and needs. The plan and budget prepared by the Head of Satker and Team who have adequate experience and competence.	S
Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?	The budget revision was taken due to late bidding and lack of its contractor in realising the project.	
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	Counterpart funding was examined based on needs and the project budget capacity to avoid deviation.	
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	There was deviation around 4-5% and tent the same over several past years.	
PAYMENTS		
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v)	Yes, to process the payment would need: i). ToR, SPK, physical progress report, SPP and SPM; ii). The documents checked and verified according to its validity and multiplication calculation with unit prices properly; iii). The original documents kept in Satker PSPLP NAD storage and its copies submitted to KPPN.	M

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3. EXECUTING/ IMPLEMENTING AGENCY		
Checking authenticity of invoices and supporting documents?		
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Yes, after the payment done, first page of SP2D submitted by KPPN to Satker PSPLP NAD, which was a valid proof of the payment so it doesn't need stamp PAID.	M
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Yes, every day all employees should be placing a finger on the recording machine. This machine will automatically record on the incoming and outgoing of each employee. Online employee absentee data goes to employee data either in Satker PSPLP NAD or in Direktorat PPLP Jakarta. Based on these data the Direktorat PPLP will make payroll list of civil servants and non civil servants sent at the end of month to KPPN. KPPN will pay the salary and transfer the bank account each employee.	L
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Payroll calculated based on cash and accrual basis.	L
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	The government accounting standard applied based on PP no.71/2010	L
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes, the project financial policy and procedure refers to UU 17/2003 of state finance, PP 71/2010 of government accounting standard, PP 29/2014 of system of government accountability report, Permen PUPR 09/PRT/M/2018 of system of government accountability report in public work, and SE 29/SE/DC/2017.	L
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes, the guidance of financial project policy and procedure is subject to change according to the ministry of public work accounting policy.	L
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes, every Permen or circulation letter published pertaining to financial and accounting policies must be followed by all Satker	L
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	L

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3. EXECUTING/ IMPLEMENTING AGENCY		
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Covered by Indonesia Laws.	L
4.28 Are manuals distributed to appropriate personnel?	Yes	L
4.29 Describe how compliance with policies and procedures are verified and monitored.	Every semester by internal auditor (Inspektorat Jendral) and yearly audit by external audit (BPK).	L
CASH AND BANK		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Meutia Agustina, SE, and Yusrizal, ST, MT as authorized signatories for Satker PSPLP NAD.	L
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Satker has maintain receipt and expenditure recording and cash book into SAIBA and SAS of accounting and finance application.	L
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	N/A, Satker has only authority for budget spending.	L
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Bank accounts are reconciled on monthly basis with the records in SAIBA and SAS. Petty cash transactions are recorded as a cash on hand and physically verified and reconciled with the cash books every day.	L
4.34 Are all reconciling items approved and recorded?	Yes, all reconciling items in SAIBA and SAS are approved and recorded.	L
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, every day SAIBA and SAS should be reconciled with KPPN. While bank account should be reconciled every month.	L
4.36 Are there any persistent/non-moving reconciling items?	No, reconciling items keep changing every day.	M
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes, transaction control is carried out by 8 persons; Head of Satker (1), PPK (3), Treasury (1), SPM Verificator (1), Monev (1), BMN (1). They provide signature and deliver to the KPPN for payment. The SPM Verificator has password access to SAS with Treasury they are able to do check and verification.	M

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3. EXECUTING/ IMPLEMENTING AGENCY		
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	Under Kemen PUPR regulation that cash balance in safe deposit box is Rp 50 million. The purpose of this cash is use for travel, maintenance, electricity, telephone bill, fuel, stationery, meals for meeting etc. It can be reimbursed minimum of 50% disbursement (Rp 25 million).	M
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	There are 8 key person who possess the keys and passwords.	M
SAFEGUARD OVER ASSETS		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Own assets: The policies and procedures to safeguard assets conducted based on: 1) status and ownership certificate; 2) record and use; 3) every asset is labeled. The administering asset stipulated based on PP no.27/2014 about local owned goods/asset. Grant assets: Minutes of assets management is signed by the local government and declares that local government will finance O & M. The Satker will collect documents; bid evaluation report, work order, contracts, invoices, payments, progress reports. Local government is signed the statement that ready to receive grant assets. The Satker records assets based on the types of assets, acquisitions, depreciation, locations and book values	M
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Asset management carried out by BMN (state own assets) which has recorded in the SIMAK BMN application. The application has provided fixed asset register that is being adjusted monthly after payment was done. In this application, all assets whether this assets owned by Satker or grant assets will be recorded based on types of assets, acquisitions, ownership, depreciation, locations and book values.	M
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes, the list of asset is updated on semester basis and matched with its detail. Its certificates and ownership documents of vehicle, land and building are kept in safe deposit box.	L
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Securities are kept safe in Satker deposit box and registered according to the date of its issuance. each asset is numbered or labeled in particular vehicles, furniture, vehicles, computers and laptops.	M

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3. EXECUTING/ IMPLEMENTING AGENCY		
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes, every year the physical inventory of assets and stocks are reconciled with its registers and any discrepancies would be addressed.	M
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	The policy and procedure of asset disposal are as follow: 1) for asset with the value under Rp 1 million by head of Satker with copied to proposed by the related SKPD; 2) for the value of Rp 1 million and above, the disposal taken by BPKK with a recommendation by the asset disposal team. Assets that are in heavily damaged, lost should be eliminated from the asset registered. Disposal procedure: The Satker prepare a letter for propose disposal assets to the Direktur PPLP Direktur of PPLP then prepare a letter of aset disposal to Satker Satker establishes the assets disposal committee to estimate the value of assets Direktur PPLP issued of approval disposal letter to Satker Satker sent this letter to KPKNL (State Wealth and Auction) for assets disposal approval KPKNL issue the approval letter	M
4.46 Are assets sufficiently covered by insurance policies?	Some asset covered by insurance are only vehicles that considered have high risk for safety.	M
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	The asset subject to depreciation are: 1) machine and equipment; 2) buildings; 3) roads and network constructions. Depreciation method used are straight line with end book value equal to zero. In application of SIMAK BMN, the depreciation is automatic calculate.	S
OTHER OFFICES AND IMPLEMENTING ENTITIES		
4.48 Describe any other regional offices or executing entities participating in implementation	Direktorat PPLP as the implementing agency for managing the construction WWTP and sewerage.	M
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	Budget office is responsible to prepare work plan and budget SPM officer verifies and issues SPP and SPM for contractor and supplier with signed by head of Satker and submit to KPPN for payment.	M

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3. EXECUTING/ IMPLEMENTING AGENCY		
	The Treasurer issues SPP and SPM for operational expenses such as utilities, car expenses, travel expenses, operation & maintenance and makes payment. BMN officer in charge of inputting asset data into SIMAK BMN. Recording, safeguarding, securing assets and hand over completed assets to LG. Monev officer is in charge of preparing physical and financial progress reports, monthly financial reports and LAKIP (performance report).	
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Segregation of financial duties are as follow: 5) Budget office is responsible for prepare work plan and budget 6) SPM and Treasurer for payment and disbursement 7) BMN in charge for recording, safeguarding, securing assets and hand over completed assets to LG. 8) Monev officer in charge for preparing physical and financial progress reports, monthly financial reports and LAKIP.	M
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Yes, Direktorat PPLP as the head agency acting as implementing agency for managing the construction of WWTP and sewerage. The coordination between the Direktorat PPLP and Satker is close due to they are connecting with integrated online system, so that all physical and financial progress is monitored at all times and accurate.	M
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Yes, daily reconciliation for SPM and SP2D between Satker and KPPN. And they do monthle reconciliation between Satker and Bank as well as Satker and Direktorat PPLP. Should any difference in recording have to be addressed and finished before the next reconciliation.	M
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	There is no sub-accounts under the advance fund.	M
CONTRACT MANAGEMENT AND ACCOUNTING		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the	The POKJA Procurement is temporary committee to undertakes bidding activity. PPK is the official to execute the activity and obliged to prepare contract documentation. PPK has also to keep the contract and other	M

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3. EXECUTING/ IMPLEMENTING AGENCY		
records consistent with physical outputs/deliverables of the contract?	supporting documents until auditing activity finished.	
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	PPK, contractor and supervisory consultant is always reconciled the physical progress as well as financial progress.	M
OTHER		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	If there is any project discrepancies, particularly related with the bidding and physical progress and financial PPK is obliged to prepare a report of it to head of Satker PSPLP for further addressed.	S
INTERNAL AUDIT		
5.1 Is there an internal audit (IA) department in the entity?	Inspektorat Jenderal, Kemen PUPR	M
5.2 What are the qualifications and experience of the IA staff?	Audit certification by the Government through regular training.	M
5.3 To whom does the head of the internal audit report?	Inspektorat Jenderal to submit report to the Direktorat Jenderal Cipta Karya.	M
5.4 Will the internal audit department include the project in its annual work program?	No, Internal audit are conducted regularly yearly or semiannually and depend on the request from the relevant authority	M
5.5 Are actions taken on the internal audit findings?	The inspector conducting auditing semi annually. Should any findings would be addressed to Direktorat Jenderal Cipta Karya. Any audit findings are taken including administrative or criminal sanctions.	L
5.6 What is the scope of the internal audit program? How was it developed?	The scope comprising all activities contained in DIPA. Every year Inspectorate arranges PKPT (annual oversight work program). The program prepared based on project activities routinity and priorities, and particular auditing on specific problem.	L
5.7 Is the IA department independent?	Yes, it is an agency that part of Direktorat PPLP, Direktorat Jenderak CK.	M
5.8 Do they perform pre-audit of transactions?	The Inspectorate does field auditing semi-annually, and when deviant indication found then it would be continued with particular auditing.	M
5.9 Who approves the internal audit program?	Inspektur Jenderal of Internal Audit	L
5.10 What standards guide the internal audit program?	1) SPKN of 2007 which adopted International Standard of Auditing (ISA), and 2) Public Accountant Professional Standard (SPAP).	M

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3. EXECUTING/ IMPLEMENTING AGENCY		
5.11 How are audit deficiencies tracked?	When i) the documents submitted inadequate, and ii) it violates the applicable regulation.	S
5.12 How long have the internal audit staff members been with the organization?	< 10 years and > 10 years	M
5.13 Does any of the internal audit staff have an IT background?	All of the audit staff have IT skill particularly in relation with application used by the RKAKL, SAS, SAIBA, SIMAK BMN.	M
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Not known.	M
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not known.	M
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have experience in ADB projects.	M
9. EXTERNAL AUDIT		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the reports is audited every year by BPK which is external auditor. BPK is to review LHP (audit internal report by Inspektorat) and to arrange audit program.	M
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Financial auditing is carried out on time and LHP is to submit in June of the following year.	M
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Auditing standard by BPK uses SPKN and ISA.	M
6.4 Were there any major accountability issues noted in the audit report for the past three years?	N/A	M
6.5 Does the external auditor meet with the audit committee without the presence of management?	N/A	M
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	N/A	M
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	N/A	M
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and	Yes, BPK has already experience in ADB project.	L

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3. EXECUTING/ IMPLEMENTING AGENCY		
procedures, including the disbursement guidelines and procedures (i.e., LDH)?		
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	N/A	M
EXTERNAL AUDIT – PROJECT LEVEL		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	BPK will conduct audit project financial statements which funded by APBN/Loan/Grants.	L
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	N/A	M
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes	L
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, BPK will use the project TORs for reference in conducting the audit of project accounts.	L
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	N/A	M
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have sufficient experience with funds coming from donor institutions. However they need capacity building	L
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No significant audit findings over last 5 years.	L
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	N/A	M
10. REPORTING AND MONITORING		
7.1 Are financial statements and reports prepared for the entity?	Yes, by accounting and financial system such as SAS, SAIBA, SIMAK BMN, and EMON, the Satker is able to produce monthly financial statements.	L
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Yes	L

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3. EXECUTING/ IMPLEMENTING AGENCY		
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Satker able to prepare monthly and yearly financial statements. They also prepare performance report which consist of physical and financial progress, so that Satker and Direktorat PPLP can use this report for decision making.	L
7.4 Does the entity reporting system need to be adapted for project reporting?	No, there is already project report format frequently used.	L
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	No, There has been technical guidance from MPWH that stipulates, among others, financial management reporting.	L
7.6 Are financial management reports used by management?	Direktur PPLP must ensure physical and financial progress could reach the target according to DIPA (annual budget), RPJMD (medium term development plan) and Renstra (strategic plan) of the Ditjend CK. Ditjend CK and Satker could call on its contractor when the physical progress considered low.	M
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	M
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial report prepared by the SAIBA and SAS application system, while project financial reports are prepared by excell with input data taken from SAIBA and SAS.	M
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Project physical progress and financial report are prepared using excellsheet with data taken from SAIBA and SAS and other documents manually.	M
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, Satker has built city drainage system in 2008-2012 due transfer incomplete project from BRR to Satker. The donors such as; JICA Rp 286 billions, AFD Rp 450 billions and MDF (WB) Rp 100 billions.	L
11. INFORMATION SYSTEMS		
8.1 Is the financial accounting and reporting system computerized?	Yes, with SAIBA, SAS system	L
8.2 If computerized, is the software off-the-shelf, or customized?	The software customized by the Ministry of Finance	L
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	It is integrated, online and used by Direktorat Jenderal Cipta Karya.	L
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise	Automatic.	L

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3. EXECUTING/ IMPLEMENTING AGENCY		
financial system with automatic data transfer, or does it entail manual entry?		
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes, it used for directly generating periodic financial statements.	L
8.6 Can the system automatically produce the necessary project financial reports?	Yes, the reports is compulsory based on PP 70/2010.	L
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, the staff of Satker get training every year.	L
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes, the assign user have user id and password according to their task and authority.	L
8.9 Are there back-up procedures in place?	Yes, and backed up by external Harddisk, CD and USB.	L
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Data stored in the back-up mirror server at a secured location away from disaster.	L

Annex 7: FMAQ NTB Province SATKER

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
1.1 What is the entity's legal status / registration?	Satker PSPLP Provinsi NTB is an organization under the Direktorat PPLP (Environment Development), Ditjen Cipta Karya, Kemen PUPR (Ministry of Public Work and Housing).	L
1.2 How much equity (shareholding) is owned by the Government?	100% owned by the central government.	L
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	None	L
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	None.	M
1.5 Briefly describe the statutory reporting requirements for the entity.	Biweekly: physical progress and disbursement report Monthly: progress report, financial report Yearly: LAKIP (performance report that includes physical and financial progress.	L
1.6 Describe the regulatory or supervisory agency of the entity.	PP 60/2008 stipulates SPIP (government internal control system). Internal auditing is carried out by Inspectorat agency and external auditing by BPK (regards to the financials) and BPKP (regards to the performances).	L
1.7 What is the governing body for the project? Is the governing body for the project independent?	The Satker (project implementing unit) are parts under Direktorat PPLP (Environment Development)	L
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	The organization structure is attached. The structure has been in effect across Indonesia and based on reviewed conducted by MPWH and Ministry of PAN (government official empowerment)	L
1.9 Does the entity have a Code of Ethics in place?	Yes, it refers to code of ethics published by the ministry of PAN.	S
1.10 Describe historical issues (if any) and reports of ethics violations involving the entity and management. How were they addressed?	The violations are generally regarding to administration/absence. The impact of absenteeism is that the incentives will be reduced.	S
5. FUNDFLOW ARRANGEMENT		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	National budget fund flows: proposed of project budget → Direktorat PPLP budget → Ditjen Cipta Karya budget → Kemen PUPR budget → Kemen Keuangan → President → DPR (for approval) Disbursement: 5. ICB contract	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
	Satker → Direktorat PPLP → Ditjen CK → KPPN Khusus → ADB → contractors, consultants 6. NCB contract Satker → Direktorat PPLP → Ditjen CK → KPPN Khusus → contractors, suppliers, consultants, beneficiaries	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes the arrangement has been satisfactory. Project arrangement comprising: Planning, budgeting, procuring, physical work, monitoring & evaluation, payment, hand over, asset recording.	L
2.3 Are the disbursement methods appropriate?	Yes, the disbursement has complied with state finance policies and procedures.	L
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	9. Physical project in complete because of improper planning, selection of contractors based on the low bid price winner 10. For disbursement of contract over Rp 1 billion, it will takes working 5 days if all documents are complete 11. KPPN request; 1) request disbursement for, 2) copy of contract and addendum, 3) physical and financial progress	L
2.5 In which bank will the Advance Fund Account (if applicable) be established?	Bank Indonesia, Bank Mandiri	L
2.6 Is the bank in which the Advance Fund Account is established capable of – • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	No foreign currency over last five years.	M
2.7 Is the ceiling for disbursements from the Advance Fund Account and SOE appropriate/required?	Yes, it has been appropriate according to its requirements (3%).	L
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	No	M
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance Fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	No	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	There has been no foreign currency components.	M
2.11 How are the counterpart funds accessed?	Proposed project budget → APBN → input data to RKAKL (working plan and budget) → bidding → winner → SPK (working commencement letter) and contract → construction → physical progress	L
2.12 How are payments made from the counterpart funds?	Payment request (approved by Satker) in the format of SPP/SPM → payment by KPPN Khusus (special state treasury) issued SP2D → data input to SAIBA	L
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	The contract signed between PPK with KSM (operator which is formed by desa/village). Project fund flowing to community is using particular reporting and monitoring is Fund Disbursement Report.	H
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Yes, 3% from capex for land acquisition, meals for meeting, community outreach etc	M
12. STAFFING		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	The organization structure of Satker PSPLP is attached.	L
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	They propose at least 13 additional staff require for the proposed projet. Treasury (2), SPM (2), BMN (2), Monev (2), and Pokja Procurement (5)	M
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	The financial staff comprises ones dealing with capital expenditure, and direct and indirect expenses. They have bachelor degree in accountancy and economic, and get training regularly from MoF and Inspectorat agency.	M
3.4 Is the project finance and accounting function staffed adequately?	Not enough.	M
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes, the Treasury, SPM (document checking), Budgeting, BMN and Monev have more than 10 years experience, bachelor degree background and have rekated trainings on finance.	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Financial and accounting staff have no experience with any ADB project.	M
3.7 What is the duration of the contract with the project finance and accounting staff?	The core staff of financial and accounting are civil servants, and their assistant hired from non-civil servant. The civil servants has contract until 58 years old and for non-civil servant has contract 1 year, and can be extended every year until they are capable to become civil servant Civil servant 19 Non civil-servant 15 Total 34	M
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	All key positions of project and accounting staff are permanent	L
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	The Treasury (2), SPM (2), BMN (2), Budgeting (2) and Monev (2). The should have minimum 10 years experience in finance and accounting, and bachelor degree in economics, finance and accounting	M
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes, MOF, MPWH and MenPAN has rules and regulations.	L
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low turnover, they would only be replaced as to be retired and/or move to other section/division/agency. 2015: In 0 out 0 2016: In 0 out 0 2015: In 0 out 0	L
3.12 What is training policy for the finance and accounting staff?	Each year the finance and accounting staff have attended workshop, seminar, socialization, refreshing for treasury, disbursement, assets, planning and budgeting. They also attended financial application system training every year to increase their capability.	M
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Training about updating application such as RKAKL, SAIBA, SAS, SILABI, SPM, SIMAK BMN. As well as increase knowledge such tax, disbursements, planning and budgeting, treasury.	L
ACCOUNTING POLICIES AND PROCEDURES		

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Yes, they have 6 application system; RKAKL (budgeting), SAS (treasury), SPM (disbursement), SILABI (reporting), SIMAK BMN (assets). SAS, SILABI and SPM are integrated. This system has been used for about more than 10 years. For the proposed project, the existing system can be modified.	M
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Payment is carried out as follow: SPP (payment request) prepared by PPK (project implementing official) with attached of ToR, SPK, contract letter and physical progres report. The documents submitted to SPM Verificator then to issue SPM (payment order). SPP and SPM signed by Treasury and Head of Satker and submitted to KPPN (State Treasury Office) for payment realisation and transferred to contractor/ supplier bank account.	L
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Project account code have adequately match with its budget account code in line with MoF policy. If the project account code does not yet exist the financial section need to request to KPPN.	L
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, the project budget allocation must be in accordance with RKAKL/DIPA so there would be no deviant payment. In line with Permen Keu PMK 22/PMK/05/2016.	L
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	The general ledger and subsidiary ledgers are reconciled monthly between Satker and KPPN, Satker and Direktorat PPLP, Satker and Bank. Actions are taken on the spot due to any differences.	L
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Accounting records including supporting documents (bid evaluation report, letter of award, contract, invoice, performance guarantee are retained for 5 years in current storage and proper filing for easy to access, while the ones over 5 years retained in the central warehouse.	S
4.7 Describe any previous audit findings that have not been addressed.	The previous audit findings have been solved.	H

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	(xiv) Carried out by the budget user (PPK) and one that have budget user authority. PPK has input into RKAKL and SPM application software. Then submit to SPM/ Treasury (xv) Carried out by SPM Verificator for verify and issue SPM for the contract to third party. Carried out by Treasury for verify and issue SPM for the internal expenses. SPM Verificator and Treasury has inputted into SP2D application. SPM Verificator and Treasury have to submit SPM to KPPN for payment. (xvi) Monev import data from SPM to EMON application to prepare financial report (xvii) BMN used the SPM and SP2D for asset recording according to its verification result. (xviii) SPM Verificator and Treasury have to reconcile with KPPN and Bank on daily basis.	L
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, according to SAP, the functions segregation must be taken at the agency Satker appropriately.	L
4.10 Do budgets include physical and financial targets?	Yes, the budgets have to be output based which segregate budgets and physical targets.	L
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	There are account codes that accommodate the budget and transactions in detail. The account codes has been adjusted for project activity for easy monitoring.	L
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	In 2016 fiscal year, the budget absorption was of 96% and in 2017 of 97%. These happened among others due to physical targets, travel expenses, and stationery	L
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	Yes, the variation of budget absorption could be seen in advance and afterwards it was to be amended 4 times because of physical target achievement.	M
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	No variation from the budget without prior approval. The RKAKL/DIPA systems will block if the disbursement above budget ceiling.	L
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	Head of Satker and PPK prepared annual proposed budget and submitted to Direktur PPLP for verification and inspection based on strategic plan and needs. Afterwards the Direktur PPLP	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
	would submit it to the Head of Satker for approval.	
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The budget prepared by Head of Satker → submitted to the Direktur PPLP for checking, verification and consolidation → submitted to the DirJen CK for checking, verification and consolidation → submitted to Kemen PUPR for checking, verification, consolidation to be adjusted with the city RPJM and Renstra → submitted to Kemen KEU for checking, verification, consolidation → and submitted to DPR (the parliament) for approval.	S
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	The project and budget planned to be put in RKAKL (work plan and its budget) of Satker. The budget should be adjusted according to the Kemen PUPR strategic plan (Renstra) and needs. The plan and budget prepared by the Head of Satker and Team who have adequate experience and competence.	S
Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?	The budget revision was taken due to late bidding dan lack of its contractor in realising the project.	
Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?	Counterpart funding was examined based on needs and the project budget capacity to avoid deviation.	
What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	There was deviation around 3-4% and tent the same over several past years.	
PAYMENTS		
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes, to process the payment would need: i). ToR, SPK, physical progress report, SPP and SPM; ii). The documents checked and verified according to its validity and multiplication calculation with unit prices properly; iii). The original documents kept in Satker PSPLP storage and its copies submitted to KPPN.	M
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered	Yes, after the payment done, first page of SP2D submitted by KPPN to Satker,	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
into the system correctly, and clearly marked for account code assignment?	which was a valid proof of the payment so it doesn't need stamp PAID.	
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Yes, every day all employees should be placing a finger on the recording machine. This machine will automatically record on the incoming and outgoing of each employee. Online employee absentee data goes to employee data either in Satker or in Direktorat PPLP Jakarta. Based on these data the Direktorat PPLP will make payroll list of civil servants and non civil servants sent at the end of month to KPPN. KPPN will pay the salary and transfer the bank account each employee.	L
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Payroll calculated based on cash and accrual basis.	L
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	The government accounting standard applied based on PP no.71/2010	L
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes, the project financial policy and procedure refers to UU 17/2003 of state finance, PP 71/2010 of government accounting standard, PP 29/2014 of system of government accountability report, Permen PUPR 09/PRT/M/2018 of system of government accountability report in public work, and SE 29/SE/DC/2017.	L
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes, the guidance of financial project policy and procedure is subject to change according to the ministry of public work accounting policy.	L
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes, every Permen or circulation letter published pertaining to financial and accounting policies must be followed by all Satker	L
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	L
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Covered by Indonesia Laws.	L
4.28 Are manuals distributed to appropriate personnel?	Yes	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
4.29 Describe how compliance with policies and procedures are verified and monitored.	Every semester by internal auditor (Inspektorat Jendral) and yearly audit by external audit (BPK).	L
CASH AND BANK		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Safari Fajrin, SPi, and Sugeng Slamet, ST as authorized signatories for Satker PSPLP NTB.	L
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Satker has maintain receipt and expenditure recording and cash book into SAIBA and SAS of accounting and finance application.	L
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	N/A, Satker has only authority for budget spending.	L
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Bank accounts are reconciled on monthly basis with the records in SAIBA and SAS. Petty cash transactions are recorded as a cash on hand and physically verified and reconciled with the cash books every day.	L
4.34 Are all reconciling items approved and recorded?	Yes, all reconciling items in SAIBA and SAS are approved and recorded.	L
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, every day SAIBA and SAS should be reconciled with KPPN. While bank account should be reconciled every month.	L
4.36 Are there any persistent/non-moving reconciling items?	No, reconciling items keep changing every day.	M
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes, transaction control is carried out by 8 persons; Head of Satker (1), PPK (3), Treasury (1), SPM Verificator (1), Monev (1), BMN (1). They provide signature and deliver to the KPPN for payment. The SPM Verificator has password access to SAS with Treasury they are able to do check and verification.	M
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	Under Kemen PUPR regulation that cash balance in safe deposit box is Rp 50 million. The purpose of this cash is use for travel, maintenance, electricity, telephone bill, fuel, stationery, meals for meeting etc. It can be reimbursed minimum of 50% disbursement (Rp 25 miliion).	M
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	There are 8 key person who possess the keys and passwords.	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
SAFEGUARD OVER ASSETS		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	<p>Own assets: The policies and procedures to safeguard assets conducted based on: 1) status and ownership certificate; 2) record and use; 3) every asset is labeled. The administering asset stipulated based on PP no.27/2014 about local owned goods/asset.</p> <p>Grant assets: Minutes of assets management is signed by the local government and declares that local government will finance O & M. The Satker will collect documents; bid evaluation report, work order, contracts, invoices, payments, progress reports. Local government is signed the statement that ready to receive grant assets. The Satker records assets based on the types of assets, acquisitions, depreciation, locations and book values</p>	M
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Asset management carried out by BMN (state own assets) which has recorded in the SIMAK BMN application. The application has provided fixed asset register that is being adjusted monthly after payment was done. In this application, all assets whether this assets owned by Satker or grant assets will be recorded based on types of assets, acquisitions, ownership, depreciation, locations and book values.	M
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes, the list of asset is updated on semester basis and matched with its detail. Its certificates and ownership documents of vehicle, land and building are kept in safe deposit box.	L
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labelled?	Securities are kept safe in Satker deposit box and registered according to the date of its issuance. each asset is numbered or labeled in particular vehicles, furniture, vehicles, computers and laptops.	M
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes, every year the physical inventory of assets and stocks are reconciled with its registers and any discrepancies would be addressed.	M
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded?	The policy and procedure of asset disposal are as follow: 1) for asset with the value under Rp 1 million by head of Satker with copied to	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
Are steps immediately taken to locate lost, or repair broken assets?	proposed by the related SKPD; 2) for the value of Rp 1 million and above, the disposal taken by BPKK with a recommendation by the asset disposal team. Assets that are in heavily damaged, lost should be eliminated from the asset registered. Disposal procedure: The Satker prepare a letter for propose disposal assets to the Direktur PPLP Direktur of PPLP then prepare a letter of aset disposal to Satker Satker establishes the assets disposal committee to estimate the value of assets Direktur PPLP issued of approval disposal letter to Satker Satker sent this letter to KPKNL (State Wealth and Auction) for assets disposal approval KPKNL issue the approval letter	
4.46 Are assets sufficiently covered by insurance policies?	Some asset covered by insurance are only vehicles that considered have high risk for safety.	M
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	The asset subject to depreciation are: 1) machine and equipment; 2) buildings; 3) roads and network constructions. Depreciation method used are straight line with end book value equal to zero. In application of SIMAK BMN, the depreciation is automatic calculate.	S
OTHER OFFICES AND IMPLEMENTING ENTITIES		
4.48 Describe any other regional offices or executing entities participating in implementation	Direktorat PPLP as the implementing agency for managing the construction WWTP and sewerage.	M
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	Budget office is responsible to prepare work plan and budget SPM officer verifies and issues SPP and SPM for contractor and supplier with signed by head of Satker and submit to KPPN for payment. The Treasurer issues SPP and SPM for operational expenses such as utilities, car expenses, travel expenses, operation & maintenance and makes payment. BMN officer in charge of inputting asset data into SIMAK BMN. Recording, safeguarding, securing assets and hand over completed assets to LG. Monev officer is in charge of preparing physical and financial progress reports,	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
	monthly financial reports and LAKIP (performance report).	
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Segregation of financial duties are as follow: 9) Budget office is responsible for prepare work plan and budget 10) SPM and Treasurer for payment and disbursement 11) BMN in charge for recording, safeguarding, securing assets and hand over completed assets to LG. 12) Monev officer in charge for preparing physical and financial progress reports, monthly financial reports and LAKIP.	M
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Yes, Direktorat PPLP as the head agency acting as implementing agency for managing the construction of WWTP and sewerage. The coordination between the Direktorat PPLP and Satker is close due to they are connecting with integrated online system, so that all physical and financial progress is monitored at all times and accurate.	M
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Yes, daily reconciliation for SPM and SP2D between Satker and KPPN. And they do monthle reconciliation between Satker and Bank as well as Satker and Direktorat PPLP. Should any difference in recording have to be addressed and finished before the next reconciliation.	M
4.53 If any sub-accounts (under the Advance Fund Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	There is no sub-accounts under the advance fund.	M
CONTRACT MANAGEMENT AND ACCOUNTING		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	The POKJA Procurement is temporary committee to undertakes bidding activity. PPK is the official to execute the activity and obliged to prepare contract documentation. PPK has also to keep the contract and other supporting documents untill auditing activity finished.	M
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	PPK, contractor and supervisory consultant is always reconciled the physical progress as well as financial progress.	M
OTHER		

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	If there is any project discrepancies, particularly related with the bidding and physical progress and financial PPK is obliged to prepare a report of it to head of Satker PSPLP for further addressed.	S
INTERNAL AUDIT		
5.1 Is there an internal audit (IA) department in the entity?	Inspektorat Jenderal, Kemen PUPR	M
5.2 What are the qualifications and experience of the IA staff?	Audit certification by the Government through regular training.	M
5.3 To whom does the head of the internal audit report?	Inspektorat Jenderal to submit report to the Direktorat Jenderal Cipta Karya.	M
5.4 Will the internal audit department include the project in its annual work program?	No, Internal audit are conducted regularly yearly or semiannually and depend on the request from the relevant authority	M
5.5 Are actions taken on the internal audit findings?	The inspector conducting auditing semi annually. Should any findings would be addressed to Direktorat Jenderal Cipta Karya. Any audit findings are taken including administrative or criminal sanctions.	L
5.6 What is the scope of the internal audit program? How was it developed?	The scope comprising all activities contained in DIPA. Every year Inspectorate arranges PKPT (annual oversight work program). The program prepared based on project activities routinity and priorities, and particular auditing on specific problem.	L
5.7 Is the IA department independent?	Yes, it is an agency that part of Direktorat PPLP, Direktorat Jenderal CK.	M
5.8 Do they perform pre-audit of transactions?	The Inspectorate does field auditing semi-annually, and when deviant indication found then it would be continued with particular auditing.	M
5.9 Who approves the internal audit program?	Inspektur Jenderal of Internal Audit	L
5.10 What standards guide the internal audit program?	1) SPKN of 2007 which adopted International Standard of Auditing (ISA), and 2) Public Accountant Professional Standard (SPAP).	M
5.11 How are audit deficiencies tracked?	When i) the documents submitted inadequate, and ii) it violates the applicable regulation.	S
5.12 How long have the internal audit staff members been with the organization?	< 10 years and > 10 years	M

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
5.13 Does any of the internal audit staff have an IT background?	All of the audit staff have IT skill particularly in relation with application used by the RKAKL, SAS, SAIBA, SIMAK BMN.	M
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Not known.	M
5.15 Has the internal auditor. identified / reported any issue with reference to availability and completeness of records?	Not known.	M
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have experience in ADB projects.	M
12. EXTERNAL AUDIT		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the reports is audited every year by BPK which is external auditor. BPK is to review LHP (audit internal report by Inspektorat) and to arrange audit program.	M
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Financial auditing is carried out on time and LHP is to submit in June of the following year.	M
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Auditing standard by BPK uses SPKN and ISA.	M
6.4 Were there any major accountability issues noted in the audit report for the past three years?	N/A	M
6.5 Does the external auditor meet with the audit committee without the presence of management?	N/A	M
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	N/A	M
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	N/A	M
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, BPK has already experience in ADB project.	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	N/A	M
EXTERNAL AUDIT – PROJECT LEVEL		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	BPK will conduct audit project financial statements which funded by APBN/Loan/Grants.	L
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	N/A	M
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes	L
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, BPK will use the project TORs for reference in conducting the audit of project accounts.	L
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	N/A	M
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, they have sufficient experience with funds coming from donor institutions. However they need capacity building	L
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No significant audit findings over last 5 years.	L
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	N/A	M
13. REPORTING AND MONITORING		
7.1 Are financial statements and reports prepared for the entity?	Yes, by accounting and financial system such as SAS, SAIBA, SIMAK BMN, and EMON, the Satker is able to produce monthly financial statements.	L
7.2 Are financial statements and reports prepared for the implementing unit(s)?	Yes	L
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Satker able to prepare monthly and yearly financial statements. They also prepare performance report which consist of physical and financial progress, so that Satker and Direktorat PPLP can use this report for decision making.	L

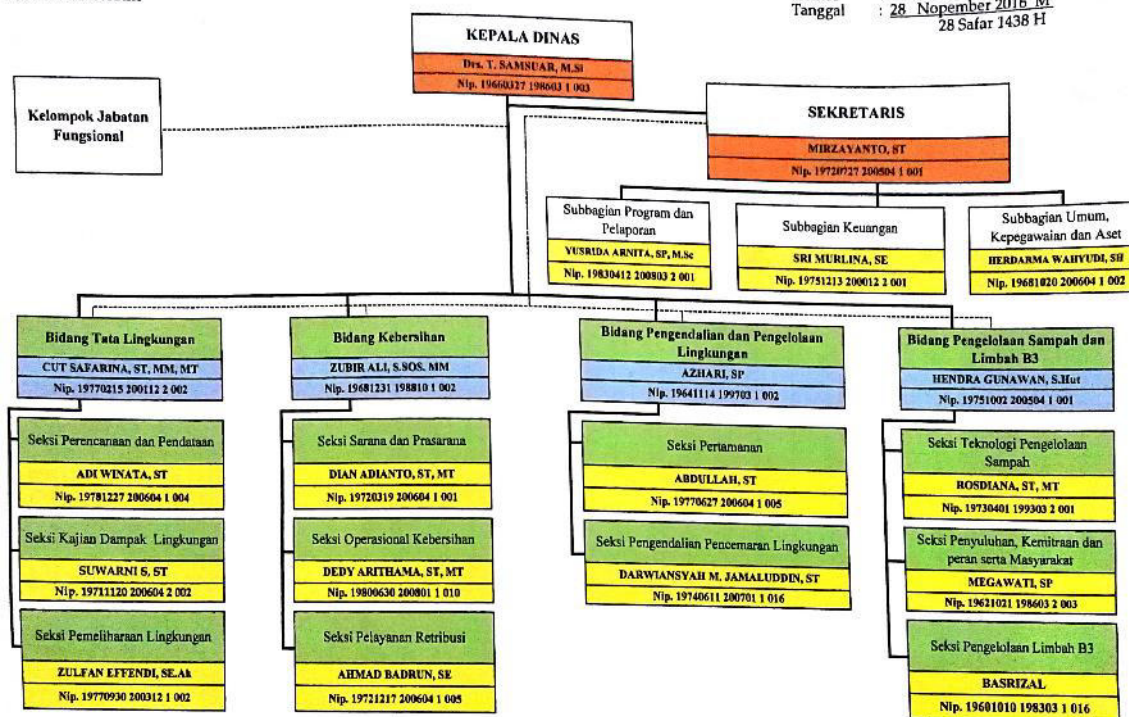
Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
7.4 Does the entity reporting system need to be adapted for project reporting?	No, there is already project report format frequently used.	L
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	No, There has been technical guidance from MPWH that stipulates, among others, financial management reporting.	L
7.6 Are financial management reports used by management?	Direktur PPLP must ensure physical and financial progress could reach the target according to DIPA (annual budget), RPJMD (medium term development plan) and Renstra (strategic plan) of the Ditjend CK. Ditjend CK and Satker could call on its contractor when the physical progress considered low.	M
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	M
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial report prepared by the SAIBA and SAS application system, while project financial reports are prepared by excell with input data taken from SAIBA and SAS.	M
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Project physical progress and financial report are prepared using excel sheet with data taken from SAIBA and SAS and other documents manually.	M
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, Satker has built IPAL for 1,000 house connections for the amount of Rp 40 billions.	L
14. INFORMATION SYSTEMS		
8.1 Is the financial accounting and reporting system computerized?	Yes, with SAIBA, SAS system	L
8.2 If computerized, is the software off-the-shelf, or customized?	The software customized by the Ministry of Finance	L
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	It is integrated, online and used by Direktorat Jenderal Cipta Karya.	L
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Automatic.	L
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes, it used for directly generating periodic financial statements.	L
8.6 Can the system automatically produce the necessary project financial reports?	Yes, the reports is compulsory based on PP 70/2010.	L

Topic	ADB PPTA 9198-INO: 2017/2018 Satker PSPLP Provinsi NTB (Mataram)	Potential Risk Event
NTB SATKER Bekasi		
8.7 Is the staff adequately trained to maintain the computerized system?	Yes, the staff of Satker get training every year.	L
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes, the assign user have user id and password according to their task and authority.	L
8.9 Are there back-up procedures in place?	Yes, and backed up by external Hard disk, CD and USB.	L
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Data stored in the back-up mirror server at a secured location away from disaster.	L

Annex 8: Organizational structure of Banda Aceh – DLHK3

BAGAN SUSUNAN, KEDUDUKAN, TUGAS DAN FUNGSI
DINAS LINGKUNGAN HIDUP, KEBERSIHAN DAN KEINDAHAN
KOTA BANDA ACEH

Lampiran : Peraturan Walikota Banda Aceh
Nomor : 11 Tahun 2016
Tanggal : 28 Nopember 2016 M
28 Safar 1438 H

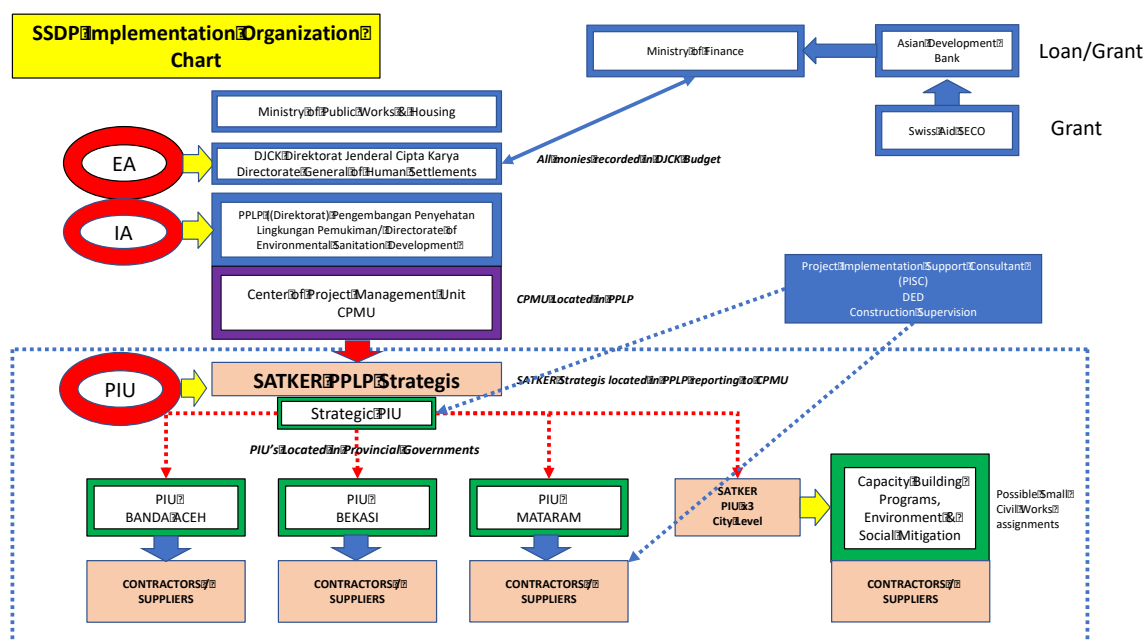


Keterangan :

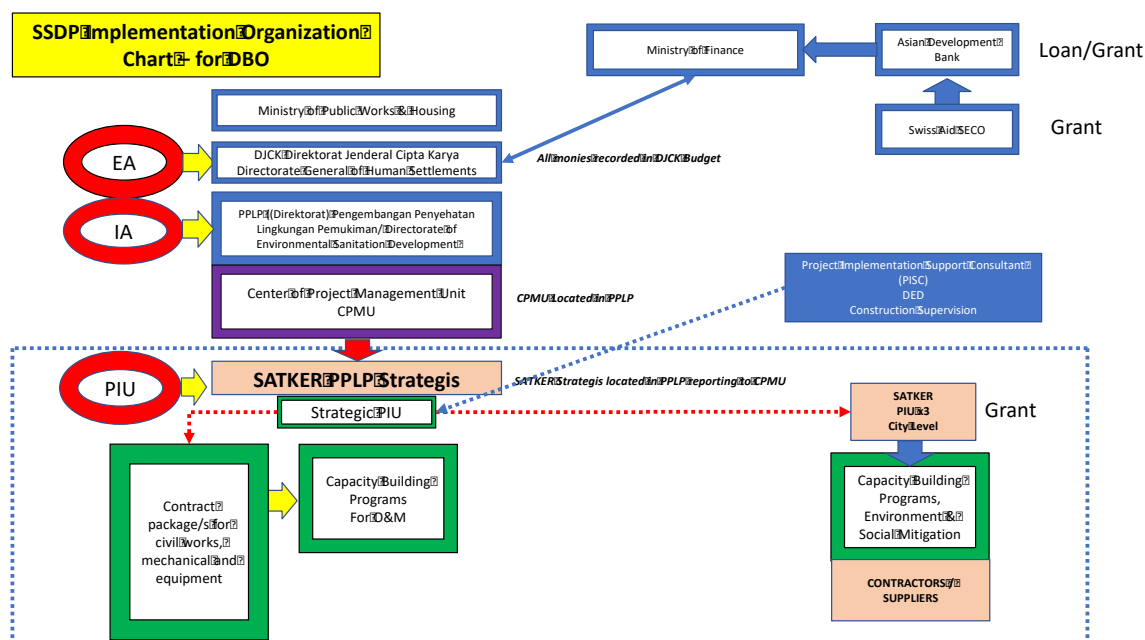
KEPALA DINAS LINGKUNGAN HIDUP, KEBERSIHAN DAN
KEINDAHAN KOTA BANDA ACEH

Annex 9: Organizational structure of the Project

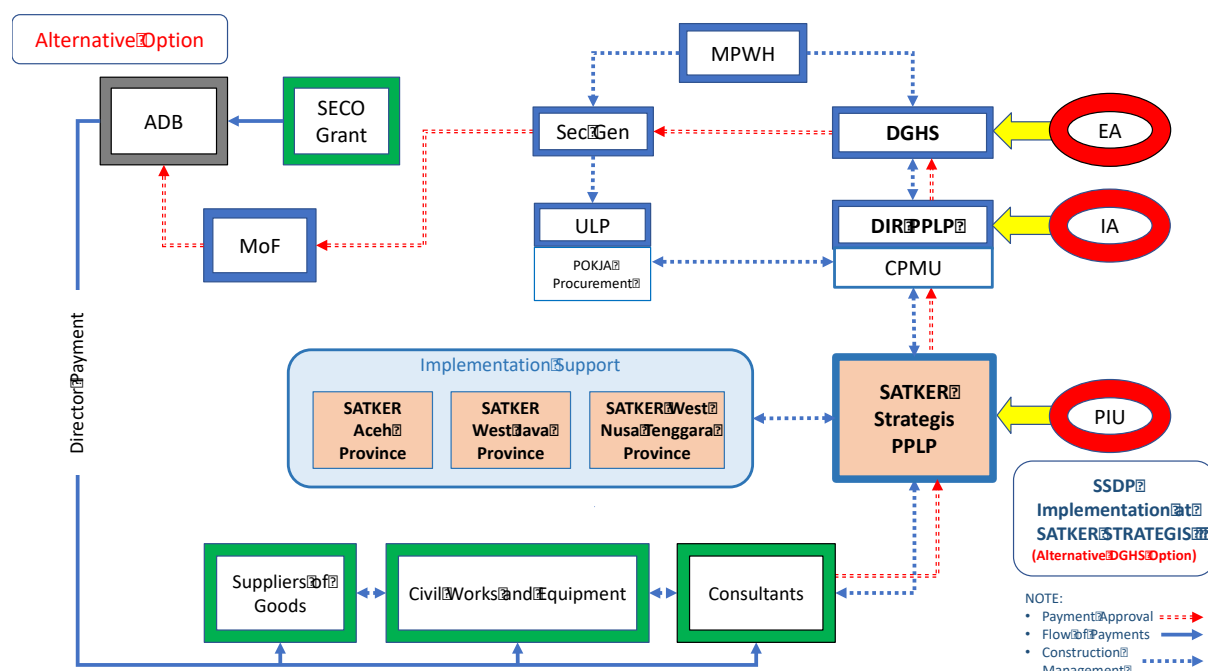
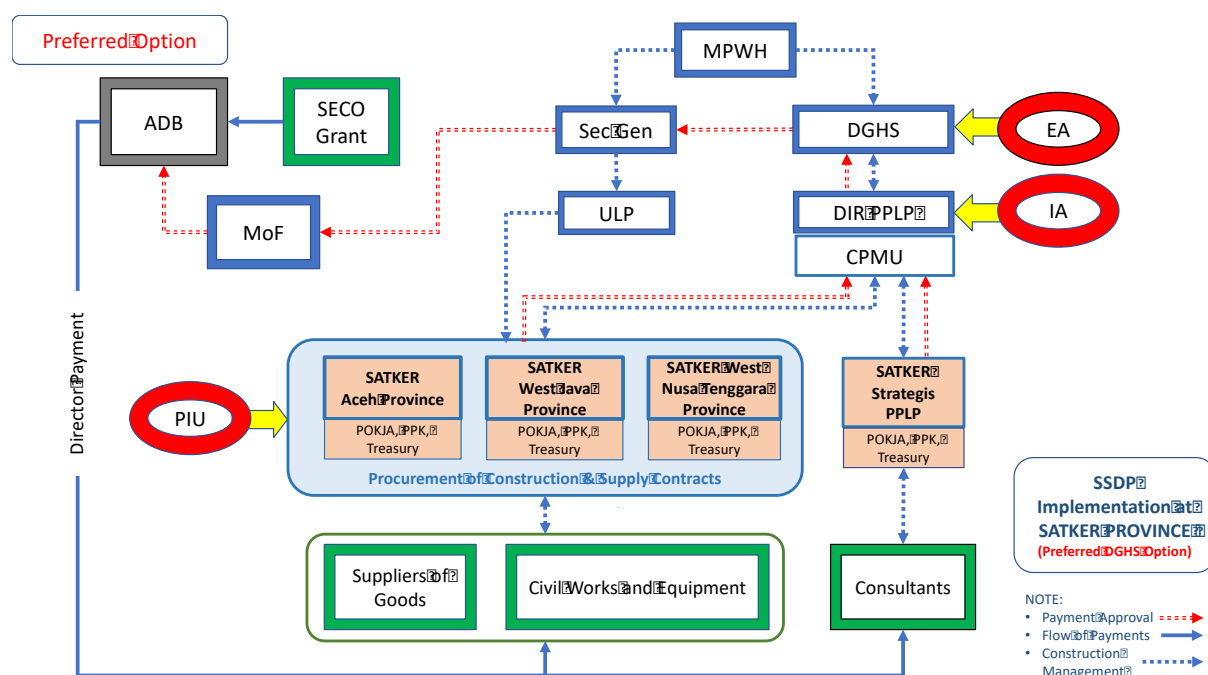
1/ Traditional Implementation



2/ Design, Build, Operate Contract



Annex 10: Funds Flow structure for the Project



Annex 11: Funding sources available to Banda Aceh City

There are various sources of finance available to the City which are administered at different levels of the service delivery spectrum as demonstrated in the following Table:

Type of Funding	City Administration	Provincial Government	National Government
Revenue Sharing of Oil & Gas (TDBH Migas Yang Dialokaskan Untuk Pendidikan – MIGAS)	√	√	
Special Allocation Fund (Dana Alokasi DAK)	√	√	
General Allocation Fund (Dana Alokasi Umum DAU)	√ 90%	√ 10%	
Special Adjustment Funds (Dana Penyesuaian SAF)	√		
Special Autonomy Funds (Otsus)	√ 40%	√ 60%	
Local Incentive Grants (Dana Insentif Daerah DID)	√		
Deconcentration (DEKON)		√	
Co-Administered Tasks (Tugas Pembantuan TP)		√	
Tax Sharing (with National Government)		√ 20%	
Own Revenue (PAD) Such as licence fees, fines, land & building taxes (20% to education)		√	

A description of each funding mechanism follows:

- **Revenue Sharing of Oil and Gas (TDBH Migas Yang Dialokaskan Untuk Pendidikan)**, (referred simply as “Migas”). Migas is a fiscal transfer, which consists of revenue sharing from natural resources and taxes. Based on Special Autonomy Law of Aceh Law No. 18/2001 the Government proceeds from the production of **Oil and Gas** is shared with the province at the rate of **50%** of revenue. This 50% share is allocated on a basis of 30% for education in Aceh according to Aceh Provincial Bylaw (Qanun) 2 of 2008 Article 2 and Article 4 paragraph (1). The remaining **70% is allocated to development programs in other sectors jointly agreed between the Aceh Provincial Government and the District Governments (Article 182 (4) LoGA)**

A major change accompanying the passage of Aceh By-Law 02/2013 was the fiscal transfer to the districts of their 40% share of the Migas revenues. Before the passage of the new law there were no fiscal transfers to the districts.

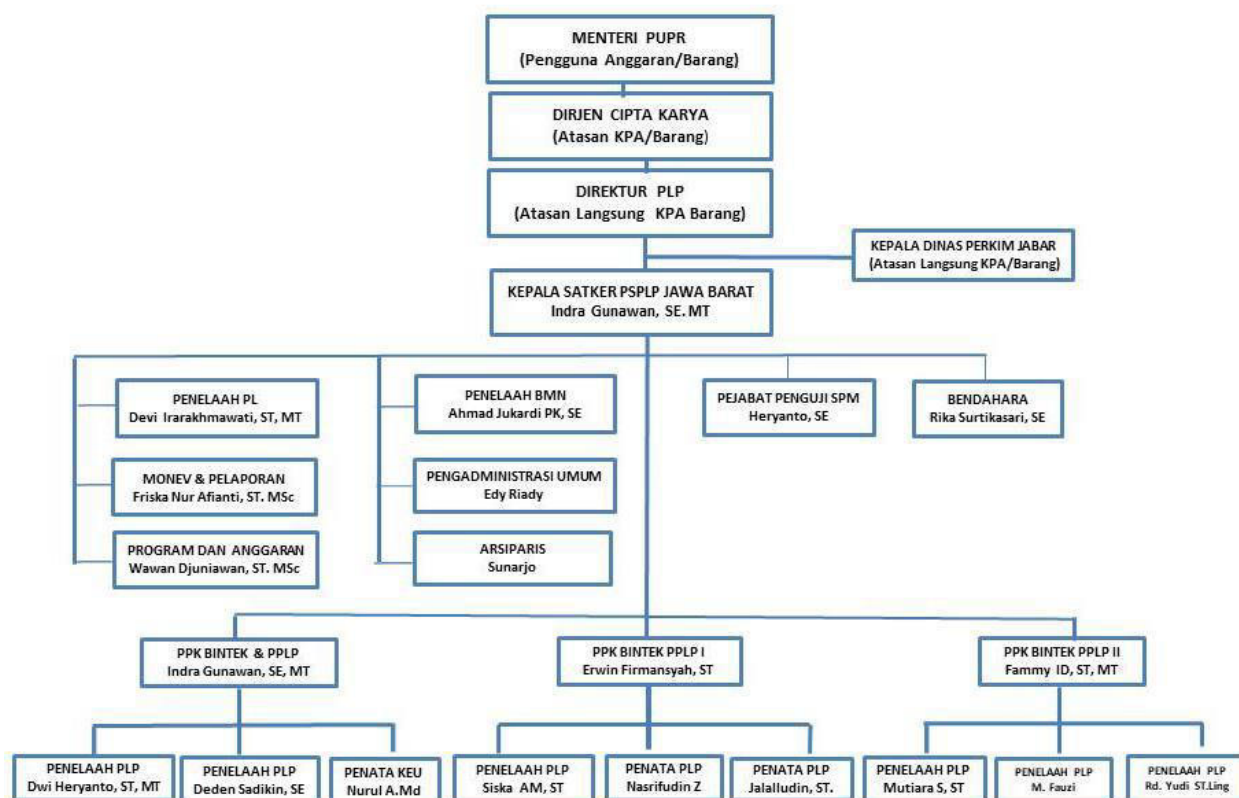
- **Special Allocation Fund or Program Funding (Dana Alokasi, DAK)**: The DAK is an earmarked grant allocated to finance specific investment expenditures that are aligned to national priorities and carried out under the jurisdiction of sub-national governments. The DAK cannot be used for research, training, administration or official travel. In 2011, 19 economic sectors received DAK allocations including education, health, agriculture, forestry, trade and various infrastructure such as roads, irrigation, water, sanitation, rural electricity, housing and local government to fund remote areas infrastructure. The DAK allocation has a formula component that takes into account the fiscal gap and has a 10% matching requirement. DAK is a fiscal transfer disbursed to the districts in three tranches: the first is allocated after the budget is submitted to the central government; and the next two depend on the depletion of the previous tranche. Although DAK is earmarked to fund capital spending, the central government has from time to time allowed routine maintenance expenditures.
- **General Allocation Fund (Dana Alokasi Umum, DAU)**, introduced by Law No 33/2004 Article (21), is a discretionary block grant from the Central Budget (APBN) aiming to equalize the fiscal capacities of sub-national governments. It is transferred monthly and directly from central to sub-national governments. The DAU is allocated based on a national formula and

is the sum of the basic allocation (a portion of the sub-national budget for public servant salaries) and the fiscal gap (the difference between the estimated fiscal needs and fiscal capacity) of the sub-national government. The basic allocation accounted for about 45.5% of the DAU in 2010. The fiscal need is based on regional variables such as population, area GDP per capita and the human development Index. Fiscal capacity is measured by a region's own source revenue and a fraction of total revenue sharing. Based on government regulation No. 55/2005, provincial governments only receive 10% of the total DAU while districts receive 90%. There are two elements to the DAU – non-salary and salary. The district government receives and manages the fund.

- **Special Adjustment Funds (Dana Penyesuaian)** is a fiscal transfer to the districts that covers all allowances for teachers including any professional benefits for certified teachers and for non-certified civil service teachers. The SAF is a scheme that was intended to supplement DAK. It's introduction has been problematic in terms of transparency, inequality and predictability. However, the prevailing political context does not accept a total omission of the SAF from intergovernmental transfer patterns. A more realistic approach in improving local government funding performance has since been adopted to ensure that the SAF does not exceed the total DAK allocation.
- **Special Autonomy funds: Specific grants to Aceh (Otsus)**, Papua and Papua Barat. The provincial government of Aceh has an additional source of revenue called 'the Otsus fund' for a period of twenty years. The fund consisting of cash transfers to the provincial government of 2% of the national DAU from the central government until 2022 and from 2023 to 2027 it will be 1% of the national DAU. The Law on the Governing of Aceh (LoGA) Number 11/2006 Article 183 and the recent passage of Aceh By Law No. 02/2013 which amends Aceh By law (Qanun) 2/2008 Article 10 paragraph (1) and Article 11 paragraph, (1) stipulates that 60% of the funds are retained by the province and allocated for provincial development programs; 40% is allocated to district development programs approved by the Provincial Government. The same conditions that apply to Migas (proposal identification, approval, financing, management and implementation) also apply to Otsus, with the exception that the proceeds of the Otsus funds should be used to fund 6-sectors.
- **Deconcentration (DEKON):** Central Government spending at sub-national level not recorded in sub-national budgets (APBD)
- **Co-Administer Tasks (Tugas Pembantuan, TP):** Funds originating from the central government's budget (APBN) administered by the provincial government (Dinas) for a variety of projects and activities
- **Tax Sharing:** Provincial Government shares tax revenue with the national government.

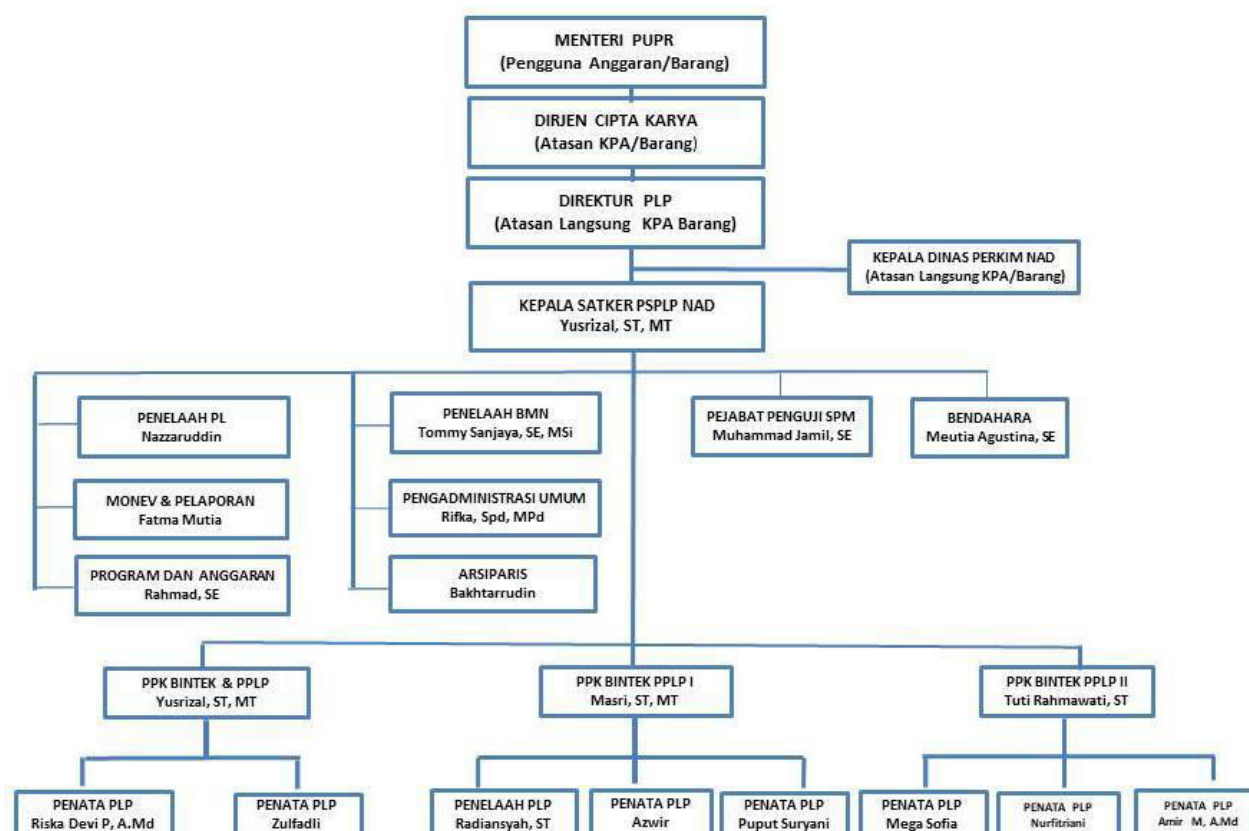
Annex 12: Organizational Structure of SATKER JABAR

STRUKTUR ORGANISASI SATKER PSPLP - PROVINSI JAWA BARAT TA 2018



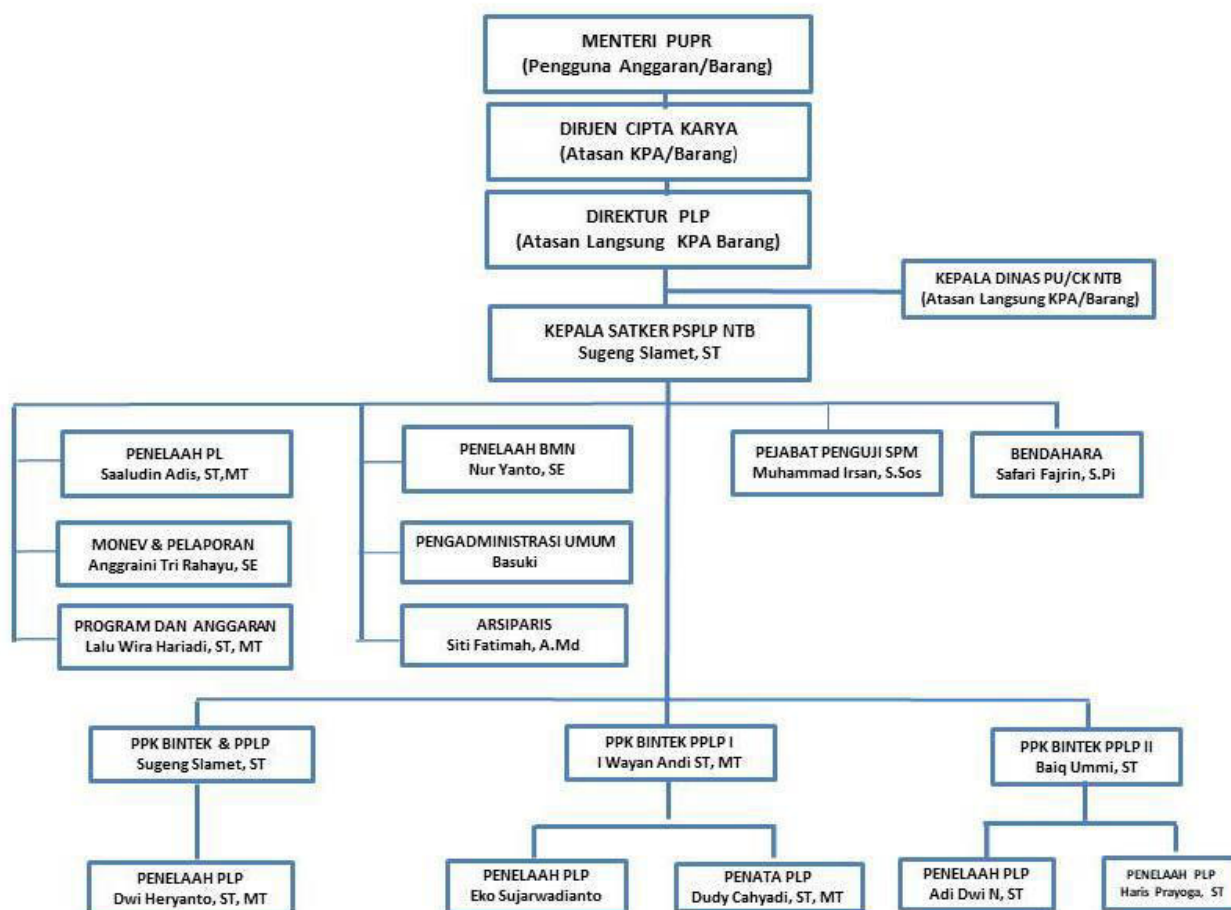
Annex 13: Organizational Structure of SATKER NAD

STRUKTUR ORGANISASI SATKER PSPLP - PROVINSI NAD TA 2018



Annex 14: Organizational Structure of SATKER NTB

STRUKTUR ORGANISASI SATKER PSPLP - PROVINSI NTB TA 2018



APPENDIX 2:

FINANCIAL ANALYSIS

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A2-1. Cost Estimates

2-1. Cost estimates have been completed for SSDP with a view to calculating the Financial Internal Rate of Return (FIRR) reflecting ADB's *Examples of Good Practice Cost Estimates and Financing Plans February 2015*, and ADB's *Handbook for Borrowers on the Financial Management and Analysis of Projects 2006* (in particular Section 3).

2-2. Component 1, funded by ADB and implemented under CDIA, provided the technical input to the project and compiled the base costs for the Preliminary Engineers Design (PED). The Detailed Engineering Design (DED) will be completed under ADB Loan Funded Technical Assistance (TA) project ADB TA 3455-INO: *Accelerating Infrastructure Delivery through Better Engineering Services Project (ESP)*, this includes procurement documentation for civil works, equipment and Project Implementation Support Consultant (PISC). All of the economic and financial analysis is based on the PED cost estimates for civil works and equipment.

2-3. The other costs are formulated under this ADB TA 9198-INO *Sewerage System Development Project (SSDP)*, such as: land acquisition, environment and social mitigation, construction supervision (although for civil works procurement documentation, terms of reference and recruitment will be the responsibility of ESP), capacity building program, project implementation support consultant, project management and recurrent costs.

2-4. Cost Estimates are in 2018 prices

- Physical contingencies are computed on the basis of civil works 7.0%, equipment 5%, administration costs 2.0%, land acquisition 5.0%, environmental and resettlement 5.0%, project management 5% and consulting services at 5%.
- Price contingencies are based on Work Bank Commodities index April, 2018 MUV rates for foreign inflation, and Bank of Indonesia for local inflation rate forecasts.
- Financing charges are based on all civil works and equipment estimated costs at LIBOR (January 29, 2018) 1.9672%, Indonesian Loan Spread 0.5000%, Maturity Loan Premium 0.2000%, Interest Rate 2.6672%, Commitment Fee 0.1500%, no Front-End Fee 0.0000% resulting in IDC on Foreign Loan of 2.6672%.
- For the sake of the analysis the commencement date for implementation is 2019⁴.

2-5. Cost estimates provide the following results:

⁴ An excel model has been provided which allows for changing the startup year

Table 3: Project Investment Plan

D. Detailed Cost Estimates by Outputs/Components									
Item			(\$ million)						
			Total Cost	C1: Banda Aceh		C2: Bekasi		C3: Mataram	
				Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs ^b									
1	Civil Works	262.7	72.6	60.14%	49.0	53.30%	141.1	68.88%	
2	Mechanical and Equipment	45.6	12.4	10.26%	18.7	20.31%	14.6	7.11%	
3	Environment and Social Mitigation	1.7	0.6	0.46%	0.56	0.61%	0.6	0.27%	
4	Consulting Services	44.9	15.9	13.19%	10.9	11.83%	18.1	8.82%	
	a. Construction Supervision	17.4	3.4	2.82%	2.43	2.64%	11.6	5.65%	
	b. Detailed Design	14.0	4.7	3.88%	4.7	5.09%	4.7	2.29%	
	b. Capacity Building	13.4	7.8	6.50%	3.76	4.09%	1.8	0.88%	
5	Project Management	15.7	7.2	5.99%	3.45	3.75%	5.0	2.43%	
6	Land Acquisition and Resettlement Cost	14.1	2.0	1.67%	3.66	3.99%	8.4	4.09%	
7	Taxes & Duties	32.9	10.0	8.28%	5.72	6.22%	17.2	8.38%	
	Subtotal (A)	417.4	120.8	28.93%	91.9	22.01%	204.8	49.06%	
B. Recurrent Costs									
1	Salaries	11.1	4.9	95.76%	2.73	31.00%	3.4	94.05%	
2	Operations	0.5	0.2	3.83%	0.11	1.77%	0.2	5.38%	
3	Equipment Operation and Maintenance	0.1	0.0	0.41%	0.02	0.19%	0.0	0.58%	
	Subtotal (B)	11.7	5.1	44.09%	3	24.54%	3.7	31.37%	
	Total Base Cost	429.1	125.9	29.34%	94.8	22.08%	208.4	48.58%	
C. Contingencies									
1	Physical ^c	24.2	6.9	25.08%	5.1	26.08%	12.3	16.61%	
2	Price ^d	96.5	20.5	74.92%	14.4	73.92%	61.6	83.39%	
	Subtotal (C)	120.7	27.4	22.66%	19.5	16.12%	73.9	61.22%	
D. Financing Charges During Implementation ^e									
1	Interest During Implementation	19.7	4.1	78.49%	3.2	86.52%	12.4	89.68%	
2	Commitment Charges	3.0	1.1	21.51%	0.5	13.48%	1.4	10.32%	
	Subtotal (D)	22.7	5.2	3.27%	3.7	3.11%	13.9	61.01%	
Total Project Cost (A+B+C+D)		572.5	158.4	100.00%	117.9	100.00%	296.2	51.74%	

a Preparation notes:

- 1 Civil works & mechanical and equipment costs are provided from Component 1 funded by CDIA
- 2 Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans, but at this stage are only estimated - no study completed yet.

b In 2018 prices.

c Computed at :

Civil Works	7.0%
Equipment	5.0%
Admin Costs	2.0%
Land Acquisition	5.0%
Environmental and Resettlement	5.0%
Project Management	5.0%
Consulting Services	5.0%

d Computed using national & international inflation estimates

e Includes interest and commitment charges. Interest during construction has been computed at the five-year forward London interbank-offered rate plus a spread of 0.5%.

2-6. The individual cost structures and table for each of the cities are provided below after the discussion on Financing Plan.

A2-2. Financing Plan

2-7. The team has consulted widely with all stakeholders on the various methods of financing for the SSDP. The project will be financed using ADB's Ordinary Capital Reserves (OCR) for loan monies. For the "soft components" ADB is exploring co-financing options for grant funding of the capacity building elements and environmental and social safeguards initiatives. Part of the loan may be used for these soft components.

2-8. Each of the City Financing Plans are discussed in the following paragraphs and tables, but firstly this is the plan for the overall project:

2-9. In summary the financing sources for the Project will include: (i) funds from ADB equivalent to around 69% of total investment cost, the counterpart funds include (ii) contribution from the National Government of around 12%, (iii) funding from ADB's ESP project amounting to around 2% covering PISC, (iv) funds from the 3 local government budgets will contribute 8% of total investment cost, (v) contribution from beneficiaries, usually in cash and kind equivalent to 5% of total investment cost, and (vi) a co-financier to fund the capacity building components at around 2% of the total investment cost.

C. Detailed Cost Estimates by Financier													
(\$ million)													
Item	Asian Development Bank		Government of Indonesia		ADB ESP		Local Government		Beneficiaries		Co-Financier		Total Cost
	Amount (A)	% of Cost Category (A/G)	Amount (B)	% of Cost Category (B/G)	Amount (C)	% of Cost Category (C/G)	Amount (D)	% of Cost Category (D/G)	Amount (H)	% of Cost Category (H/G)	Amount (I)	% of Cost Category (I/G)	
A. Investment Costs													
1 Civil Works	191.48	72.90%	21.28	8.10%	-	0.00%	23.64	9.00%	26.27	10.00%	-	0.00%	262.66
2 Mechanical and Equipment	36.95	81.00%	4.11	9.00%	-	0.00%	4.56	10.00%	-	0.00%	-	0.00%	45.62
3 Environment and Social Mitigation	1.35	81.00%	0.15	9.00%	-	0.00%	0.17	10.00%	-	0.00%	-	0.00%	1.67
4 Consulting Services	11.63	25.93%	1.29	2.88%	14.04	31.30%	4.49	10.00%	-	0.00%	13.41	29.89%	44.86
a. Construction Supervision	14.10	81.00%	1.57	9.00%	-	0.00%	1.74	10.00%	-	0.00%	-	0.00%	17.41
b. Detailed Design	1.26	-9.00%	0.14	-1.00%	14.04	100.00%	1.40	10.00%	-	0.00%	-	0.00%	14.04
c. Capacity Building	1.21	-9.00%	0.13	-1.00%	-	0.00%	1.34	10.00%	-	0.00%	13.41	100.00%	13.41
5 Project Management	12.69	81.00%	1.41	9.00%	-	0.00%	1.57	10.00%	-	0.00%	-	0.00%	15.66
6 Land Acquisition and Resettlement Cost	-	0.00%	-	0.00%	-	0.00%	14.07	100.00%	-	0.00%	-	0.00%	14.07
7 Taxes & Duties	-	0.00%	32.89	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	32.89
Subtotal (A)	254.11	85.36%	61.12	14.64%	14.04	3.36%	48.49	11.62%	26.27	6.29%	13.41	3.21%	417.44
B. Recurrent Costs													
1 Salaries	-	0.00%	11.09	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	11.09
2 Equipment Operation and Maintenance	-	0.00%	0.50	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.50
Subtotal (B)	-	0.00%	11.59	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	11.59
Total Base Cost (A+B)	254.11	59.23%	72.72	16.95%	14.04	3.27%	48.49	11.30%	26.27	6.12%	13.41	3.13%	429.03
C. Contingencies													
	120.72	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	120.72
D. Financing Charges During Implementation													
	22.71	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	22.71
Total Project Cost (A+B+C+D)	397.53		72.72		14.04		48.49		26.27		13.41		572.44
% Total Project Cost		69.44%		12.70%		2.45%		8.47%		4.59%		2.34%	100%

2.1. Mataram

2-10. In summary the financing sources for the Mataram subproject will include: (i) funds from ADB equivalent to around 73% of total investment cost, the counterpart funds include (ii) contribution from the National Government of around 12%, (iii) funding from ADB's ESP project amounting to around 2% covering PISC, (iv) funds from provincial budget will contribute 8% of total investment cost, (v) contribution from beneficiaries, usually in cash and kind equivalent to 5% of total investment cost, and (vi) a co-financier to fund the capacity building components at less than 1% of the total investment cost.

C. Detailed Cost Estimates by Financier for Mataram													
(\$ million)													
Item	Asian Development Bank		Government of Indonesia		ADB ESP		Local Government		Beneficiaries		Co-Financier		Total Cost
	Amount (A)	% of Cost Category (A/G)	Amount (B)	% of Cost Category (B/G)	Amount (C)	% of Cost Category (C/G)	Amount (D)	% of Cost Category (D/G)	Amount (H)	% of Cost Category (H/G)	Amount (I)	% of Cost Category (I/G)	
A. Investment Costs													
1 Civil Works	102.84	72.90%	11.43	8.10%	-	0.00%	12.70	9.00%	14.11	10.00%	-	0.00%	141.07
2 Mechanical and Equipment	11.80	81.00%	1.31	9.00%	-	0.00%	1.46	10.00%	-	0.00%	-	0.00%	14.57
3 Environment and Social Mitigation	0.45	81.00%	0.05	9.00%	-	0.00%	0.06	10.00%	-	0.00%	-	0.00%	0.56
4 Consulting Services	8.79	48.68%	0.98	5.41%	4.68	25.91%	1.81	10.00%	-	0.00%	1.81	10.00%	18.06
a. Construction Supervision	9.38	81.00%	1.04	9.00%	-	0.00%	1.16	10.00%	-	0.00%	-	0.00%	11.58
b. Detailed Design	0.42	-9.00%	0.05	-1.00%	4.68	100.00%	0.47	10.00%	-	0.00%	-	0.00%	4.68
c. Capacity Building	0.16	-9.00%	0.02	-1.00%	-	0.00%	0.18	10.00%	-	0.00%	1.81	100.00%	1.81
5 Project Management	4.04	81.00%	0.45	9.00%	-	0.00%	0.50	10.00%	-	0.00%	-	0.00%	4.99
6 Land Acquisition and Resettlement Cost	-	0.00%	-	0.00%	-	0.00%	8.38	100.00%	-	0.00%	-	0.00%	8.38
7 Taxes & Duties	-	0.00%	17.17	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	17.17
Subtotal (A)	127.93	84.68%	31.38	15.32%	4.68	2.29%	24.89	12.16%	14.11	6.89%	1.81	0.88%	204.77
B. Recurrent Costs													
1 Salaries	-	0.00%	3.44	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	3.44
2 Equipment Operation and Maintenance	-	0.00%	0.20	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.20
Subtotal (B)	-	0.00%	3.63	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	3.63
Total Base Cost (A+B)	127.93	61.38%	35.01	16.80%	4.68	2.25%	24.89	11.94%	14.11	6.77%	1.81	0.87%	208.40
C. Contingencies													
	73.90	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	73.90
D. Financing Charges During Implementation													
	13.85	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	13.85
Total Project Cost (A+B+C+D)	215.68		35.01		4.68		24.89		14.11		1.81		296.14
% Total Project Cost		72.82%		11.82%		1.58%		8.40%		4.76%		0.61%	100%

2.2. Bekasi

2-11. In summary the financing sources for the Bekasi subproject will include: (i) funds from ADB equivalent to around 66% of total investment cost, the counterpart funds include (ii) contribution from the National Government of around 12%, (iii) funding from ADB's ESP project amounting to around 4% covering PISC, (iv) funds from provincial budget will contribute 10% of total investment cost, (v) contribution from beneficiaries, usually in cash and kind equivalent to 4% of total investment cost, and (vi) a co-financier to fund the capacity building components at around 3% of the total investment cost.

C. Detailed Cost Estimates by Financier for Bekasi													
(\$ million)													
Item	Asian Development Bank		Government of Indonesia		ADB ESP		Local Government		Beneficiaries		Co-Financier		Total Cost
	Amount (A)	% of Cost Category (A/G)	Amount (B)	% of Cost Category (B/G)	Amount (C)	% of Cost Category (C/G)	Amount (D)	% of Cost Category (D/G)	Amount (H)	% of Cost Category (H/G)	Amount (I)	% of Cost Category (I/G)	
A. Investment Costs													
1 Civil Works	35.70	72.90%	3.97	8.10%	-	0.00%	4.41	9.00%	4.90	10.00%	-	0.00%	48.98
2 Mechanical and Equipment	15.11	81.00%	1.68	9.00%	-	0.00%	1.87	10.00%	-	0.00%	-	0.00%	18.66
3 Environment and Social Mitigation	0.45	81.00%	0.05	9.00%	-	0.00%	0.06	10.00%	-	0.00%	-	0.00%	0.56
4 Consulting Services	1.21	11.12%	0.13	1.24%	4.68	43.06%	1.09	10.00%	-	0.00%	3.76	34.58%	10.87
a. Construction Supervision	1.97	81.00%	0.22	9.00%	-	0.00%	0.24	10.00%	-	0.00%	-	0.00%	2.43
b. Detailed Design	0.42	-9.00%	0.05	-1.00%	4.68	100.00%	0.47	10.00%	-	0.00%	-	0.00%	4.68
c. Capacity Building	0.34	-9.00%	0.04	-1.00%	-	0.00%	0.38	10.00%	-	0.00%	3.76	100.00%	3.76
5 Project Management	2.79	81.00%	0.31	9.00%	-	0.00%	0.34	10.00%	-	0.00%	-	0.00%	3.44
6 Land Acquisition and Resettlement Cost	-	0%	-	0.00%	-	0.00%	3.66	100.00%	-	0.00%	-	0.00%	3.66
7 Taxes & Duties	-	0.00%	5.72	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	5.72
Subtotal (A)	55.27	87.09%	11.86	12.91%	4.68	5.09%	11.43	12.43%	4.90	5.33%	3.76	4.09%	91.86
B. Recurrent Costs													
1 Salaries	-	0.00%	2.73	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	2.73
2 Equipment Operation and Maintenance	-	0.00%	0.13	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.13
Subtotal (B)	-	0.00%	2.86	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	2.86
Total Base Cost (A+B)	55.27	58.33%	14.72	15.53%	4.68	4.94%	11.43	12.06%	4.90	5.17%	3.76	3.97%	94.72
C. Contingencies	19.47	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	19.47
D. Financing Charges During Implementation	3.67	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	3.67
Total Project Cost (A+B+C+D)	78.40		14.72		4.68		11.43		4.90		3.76		117.82
% Total Project Cost		66.51%		12.49%		3.97%		9.69%		4.15%		3.19%	100%

2.3. Banda Aceh

2-12. In summary the financing sources for the Banda Aceh subproject will include: (i) funds from ADB equivalent to around 66% of total investment cost, the counterpart funds include (ii) contribution from the National Government of around 15%, (iii) funding from ADB's ESP project amounting to around 3% covering PISC, (iv) funds from provincial budget will contribute 7% of total investment cost, (v) contribution from beneficiaries, usually in cash and kind equivalent to 5% of total investment cost, and (vi) a co-financier to fund the capacity building components at around 5% of the total investment cost.

C. Detailed Cost Estimates by Financier for Banda Aceh												
Item	(\$ million)											
	Asian Development Bank		Government of Indonesia		ADB ESP		Local Government		Beneficiaries		Co-Financier	
	Amount (A)	% of Cost Category (A/G)	Amount (B)	% of Cost Category (B/G)	Amount (C)	% of Cost Category (C/G)	Amount (D)	% of Cost Category (D/G)	Amount (H)	% of Cost Category (H/G)	Amount (I)	% of Cost Category (I/G)
A. Investment Costs												
1 Civil Works	52.94	72.90%	5.88	8.10%	-	0.00%	6.54	9.00%	7.26	10.00%	-	0.00%
2 Mechanical and Equipment	10.04	81.00%	1.12	9.00%	-	0.00%	1.24	10.00%	-	0.00%	-	0.00%
3 Environment and Social Mitigation	0.45	81.00%	0.05	9.00%	-	0.00%	0.06	10.00%	-	0.00%	-	0.00%
4 Consulting Services	2.76	17.30%	0.31	1.92%	4.68	29.38%	0.34	2.14%	-	0.00%	7.85	49.26%
a. Construction Supervision	2.76	81.00%	0.31	9.00%	-	0.00%	0.34	10.00%	-	0.00%	-	0.00%
b. Detailed Design	-	0.00%	-	0.00%	4.68	100.00%	-	0.00%	-	0.00%	-	0.00%
c. Capacity Building	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	7.85	100.00%
5 Project Management	5.86	81.00%	0.65	9.00%	-	0.00%	0.72	10.00%	-	0.00%	-	0.00%
6 Land Acquisition and Resettlement Cost	-	0.00%	-	0.00%	-	0.00%	2.02	0.00%	-	0.00%	-	0.00%
7 Taxes & Duties	-	0.00%	10.00	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Subtotal (A)	72.04	85.09%	18.01	14.91%	4.68	3.88%	10.92	9.04%	7.26	6.01%	7.85	6.50%
B. Recurrent Costs												
1 Salaries	-	0.00%	4.92	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
2 Equipment Operation and Maintenance	-	0.00%	0.22	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Subtotal (B)	-	0.00%	5.14	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Base Cost (A+B)	72.04	57.23%	23.15	18.39%	4.68	3.72%	10.92	8.67%	7.26	5.77%	7.85	6.23%
C. Contingencies	27.35	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
D. Financing Charges During Implementation	5.19	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Project Cost (A+B+C+D)	104.58		23.15		4.68		10.92		7.26		7.85	
% Total Project Cost		66.01%		14.61%		2.95%		6.89%		4.58%		4.95%
												100%

A2-3. Detailed Cost Estimates

3.1. Mataram City Administration

2-13. **Financial assumptions.** There are 3 stages to the Mataram costing structure reflecting the planned implementation over 10 years with the provision of consulting services, project management, land acquisition and resettlement costs taking place in the first year (for now this is 2019 – but can be changed easily in the excel model).

2-14. Stage 1 includes a sewer network construction of 10% in year 2020, 30% in year 2021, 35% in year 2022 and 25% in year 2023. The sewer system will feed into a wastewater treatment plant which will be constructed by 10% in year 2020, 30% in year 2021, and 60% in year 2022 prior to the completion of the sewer system.

2-15. Household connections are assumed to follow the pattern of the sewer system with a lag of 1 year with 37% connected in year 2022, 37% in year 2023 and finally 26% in year 2024.

2-16. Stage 2 will be implemented over years 2024, 2025 and 2026 at the rate of 60% in 2024 and 40% in 2025 for the WWTP, the sewer network following at 20% in 2024, 30% in 2025 and finally 50% in 2026. House connections are assumed to be completed in 2025 and 2026 at an equal rate.

2-17. Stage 3 will take place in two phases for the WWTP with a startup in 2026 with 50% scheduled to be completed in that year and 50% completed in 2027. If there is a lag it is unlikely that the house connections will be completed as shown by 50% in year 2027 and 50% in year 2028.

2-18. The following Table demonstrates the assumed implementation schedule:

Table 4: Project Implementation Schedule

	Stage 1					Stage 2			Stage 3	
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
WWTP Stage 1	0%	10%	30%	60%	0%	0%	0%	0%	0%	0%
WWTP Stage 2	0%	0%	0%	0%	0%	60%	40%	0%	0%	0%
WWTP Stage 3	0%	0%	0%	0%	0%	0%	0%	50%	50%	0%
Sewer Network S1	0%	10%	30%	35%	25%	0%	0%	0%	0%	0%
Sewer Network S2	0%	0%	0%	0%	0%	20%	30%	50%	0%	0%
Sewer Network S3	0%	0%	0%	0%	0%	0%	0%	33%	33%	34%
Stage 1 HHC	0%	0%	0%	37%	37%	26%	0%	0%	0%	0%
Stage 2 HHC	0%	0%	0%	0%	0%	0%	33%	33%	33%	0%
Stage 3 HHC	0%	0%	0%	0%	0%	0%	0%	0%	50%	50%

2-19. The materials for the sewer network are assumed to have a 10% foreign content, whilst the equipment is assumed to be 100% foreign sourced. The total costs of the sewer network is \$123,040,684.

Table 5: Civil Works Cost Sewer Network

Sewer Network			USD	123,040,684
Civil Works	Quantity	Unit	Unit Cost	Total Cost
<i>Sewer Network - Main Trunk / procurement, installation & road repair</i>				
ND 400 mm	500	m	251	125,646
ND 600 mm	5,060	m	408	2,062,888
ND 700 mm	2,690	m	532	1,431,619
ND 800 mm	1,850	m	688	1,273,035
ND 900 mm	3,340	m	844	2,819,139
ND 1000 mm	1,380	m	1,041	1,436,546
ND 1200 mm	3,590	m	1,252	4,495,654
ND 1400 mm	150	m	1,464	219,535
Temp sheet piling deep locations	1,000	m	300	300,000
<i>Sewer Network - Secondary & Teri / procurement, installation & road repair</i>	275,601	m	250	68,900,250
<i>Household Connections</i>	49,317	Unit	600	29,590,200
Manholes				
Depth 3-4	264	MH	2,649	699,336
Depth 1-3	5,512	MH	1,531	8,438,872
<i>River Crossing</i>	2	Unit	373,982	747,964
TOTAL CIVIL WORKS				122,540,684
Mechanical & Equipment				
<i>High Pressure Truck (8m3 Tank)</i>	2	Unit	150,000	300,000
<i>Sewer Maintenance Vacuum Truck (6m3 Tank)</i>	2	Unit	100,000	200,000
TOTAL MECHANICAL & EQUIPMENT				500,000

2-20. There are two (2) pumping stations one on the Jangkok River and the other on the Ancar River – both being the wet well type. The costs are \$791,152 and \$1,484,450 respectively.

Table 6: Cost Estimates Pump Station 1 Jangkok River

Pump station PS1 (Jangkok River)-Wet well type			USD	791,152
Civil Works	Quantity	Unit	Unit Cost	Total Cost
Site Cleaning 7x4m	30.8	m2	12.6	389
Excavation 30m2, 7.8 m deep	264.0	m3	431.2	113,848
Pumping during excavation	30.0	d	232.9	6,988
Temporary sheet piles 15m deep	24.2	m	465.9	11,274
Pump chamber 7x4m	33.6	m2	7,320.5	245,969
Pump house (not included)	-	m2	638.9	-
Fence	29.0	m	20.0	580
TOTAL CIVIL WORKS				379,048
Mechanical & Equipment				
110 l/s, 18m, 37 kw				
Submersible Pump	3	No	53,240	159,720
Pipes, Valves & Fitting etc	3	Lot	13,310	39,930
Other Accessories (10% of material charge)	1	LS	10%	19,965
Installation Costs				
Transportation and Handling	3	Lot	2,662	7,986
Prefabrication (Pipes and Fitting)	3	Lot	3,993	11,979
Installation	3	Lot	2,662	7,986
Pipe Connection (15% of Material Charge)	1	LS	15%	4,192.65
Electrical work				
Transformer (200-KVA)	1	No	66,550	66,550
Power Cable Panel and Accessories	1	Lot	19,965	19,965
Other Accessory for Electrical (10%)	1	LS	10%	8,652
Installation Cost for Electrical (20%)	1	LS	20%	17,303
Other				
Manual bar screen, width 7m	8	m	2,662	21,296
Installation (15% of Material Charges)	1	LS	15%	3,194.40
Screen removal container	2	No	7,986	15,972
Emergency By pass pipe 700 mm	20	m	185	3,700
Emergency By pass excavation	20	m	113	2,263
Emergency By pass installation	20	m	73	1,451
TOTAL MECHANICAL & EQUIPMENT				412,104

Table 7: Cost Estimate Pump Station 2 Ancar River

Pump station PS2 (Ancar River)-Wet well type		USD		1,484,450
Civil Works	Quantity	Unit	Unit Cost	Total Cost
Site Cleaning 12x7m	92.4	m2	12.6	1,168
Excavation 84m2, 7.5 m deep	693.0	m3	431.2	298,852
Pumping during excavation	60.0	d	232.9	13,976
Temporary sheet piles 15m deep	41.8	m	465.9	19,473
Pump chamber 7x12m	92.4	m2	7,320.5	676,414
Pump house 20x25m (not included)	-	m2	638.9	-
Fence	50.2	m	20.0	1,001
TOTAL CIVIL WORKS				1,010,884
Mechanical & Equipment				
110 l/s, 18m, 37 kw				
Submersible Pump	3	No	66,550	199,650
Pipes, Valves & Fitting etc	3	Lot	13,310	39,930
Other Accessories (10% of material charge)	1	LS	10%	23,958
Installation Costs				
Transportation and Handling	3	Lot	2,662	7,986
Prefabrication (Pipes and Fitting)	3	Lot	3,993	11,979
Installation	3	Lot	2,662	7,986
Pipe Connection (15% of Material Charge)	1	LS	15%	4,193
Electrical work				
Transformer (200-KVA)	1	No	66,550	66,550
Power Cable Panel and Accessories	1	Lot	19,965	19,965
Other Accessory for Electrical (10%)	1	LS	10%	8,652
Installation Cost for Electrical (20%)	1	LS	20%	17,303
Other				
Manual bar screen, width 7m	8	m	4,658	34,935
Installation (15% of Material Charges)	1	LS	15%	5,240.3
Screen removal container	2	No	7,986	15,972
Emergency By pass pipe 700 mm	25	m	185	4,625
Emergency By pass excavation	25	m	113	2,828
Emergency By pass installation	25	m	73	1,813
TOTAL MECHANICAL & EQUIPMENT				473,565

2-21. The wastewater treatment plant (WWTP) is estimated to cost \$29,523,290, which includes an inlet sewage pump station consisting of civil works and mechanical equipment, refer Tables 8 and 9:

Table 8: Cost Estimate Inlet Pump Station WWTP

Inlet Sewage Pump Station				
Civil Works	Quantity	Unit	Unit Cost	Total Cost
Site Cleaning 13x17m	165.0	m2	12.6	2,086
Excavation 221m2, 7.5 m deep	1,823.3	m3	431.2	786,266
Pumping during excavation	150.0	d	232.9	34,939
Temporary sheet piles 15m deep	66.0	m	465.9	30,746
Pump chamber 13x17m	243.1	m2	6,655.0	1,617,831
Pump house 20x25m (not included)	-	m2	638.9	-
Fence	-	m	20.0	-
TOTAL CIVIL WORKS				2,471,867

Table 9: Cost Estimates Inlet Pump Station Mechanical & Equipment

Inlet Sewage Pump Station				
Mechanical & Equipment				
450 l/s, 13m, 110 kw				
Submersible Pump	3	No	86,515	259,545
Pipes, Valves & Fitting etc	3	Lot	13,310	39,930
Other Accessories	1	LS	10%	29,948
Installation Costs				
Transportation and Handling	3	Lot	2,662	7,986
Prefabrication (Pipes and Fitting)	3	Lot	3,993	11,979
Installation	3	Lot	2,662	7,986
Pipe Connection (15% of Material Charge)	1	LS	15%	4,193
Electrical work				
Transformer (200-KVA)	1	No	66,550	66,550
Power Cable Panel and Accessories	1	Lot	19,965	19,965
Other Accessory for Electrical (10%)	1	LS	10%	8,652
Installation Cost for Electrical (20%)	1	LS	20%	17,303
Other				
Manual bar screen, width 7m	6	m	6,655	39,930
Installation (15% of Material Charges)	1	LS	15%	5,989.5
Screen removal container	2	No	7,986	15,972
Emergency By pass pipe 700 mm	50	m	185	9,250
Emergency By pass excavation	50	m	113	5,657
Emergency By pass installation	50	m	73	3,627
TOTAL MECHANICAL & EQUIPMENT				554,461
TOTAL INLET SEWAGE PUMP STATION				3,026,329

2-22. The WWTP will consist of Civil works which are estimated at \$14,676,671 (refer Table 10):

Table 10: Cost Estimates WWTP Civil Works

Civil Works				
Truck offload (whole):	1	LS	41,065	41,065
Treatment				
- Primary Settling Tank	1	LS	908,168	908,168
- Trickling Filter	1	LS	5,887,500	5,887,500
- Secondary Settling Tank	1	LS	1,816,335	1,816,335
- Pump Station from Primary clarifier to TF				
Site Cleaning 15x10m	165	m2	13	2,086
Excavation 150m2, 3 m deep	495	m3	431	213,466
Pumping during excavation	30	d	233	6,988
Temporary sheet piles 6m deep	55	m	333	18,301
Pump chamber 15x10m	165	m2	3,993	658,845
Pump house 20x25m (not included)	-	m2	639	-
Fence	-	m	20	-
Surface Flow Wetland	1	LS	860,724	860,724
Sludge Drying Bed	1	LS	333,000	333,000
Foundation	1	LS	1,200,000	1,200,000
Landscaping, greenbelt	1	LS	500,000	500,000
Land Raising 1.5 m	25	m3	60,000	1,500,000
Site Prep. / Alteration	1	LS	730,193	730,193
TOTAL CIVIL WORKS				14,676,671

2-23. The WWTP will include mechanical and equipment costs, estimated at \$11,820,290 (refer Table 11):

Table 11: Cost Estimates WWTP Mechanical & Equipment

Mechanical & Equipment				
- Pump Station from Primary clarifier to TF				
450 l/s, 13m, 110 kw				
Submersible Pump	3	No	86,515	259,545
Pipes, Valves & Fitting etc	3	Lot	13,310	39,930
Other Accessories	1	LS	10%	29,948
Installation Costs				
Transportation and Handling	3	Lot	2,662	7,986
Prefabrication (Pipes and Fitting)	3	Lot	3,993	11,979
Installation	3	Lot	2,662	7,986
Pipe Connection (15% of Material Charge)	1	LS	15%	4,193
Screening: automatic cleaning, 10 mm step screens	1	LS	1,336,830	1,336,830
Degritting: vortex grit units quoted from Pista Grit	1	LS	453,165	453,165
Chlorine Contact Tank	1	LS	837,745	837,745
Facilities (Admin/Lab Building, fencing, drainage etc)	1	LS	304,060	304,060
Electrical & Control:	1	LS	2,920,769	2,920,769
Piping:	1	LS	2,190,575	2,190,575
Testing & Commissioning (Allowance)	1	LS	225,000	225,000
Contractor Markup (15% on Civil Works)	1	LS	3,059,576	3,059,576
- Pump Station from Primary clarifier to TF				
Transformer (200-KVA)	1	No	66,550	66,550
Power Cable Panel and Accessories	1	Lot	19,965	19,965
Other Accessory for Electrical (10%)	1	LS	10%	8,652
Installation Cost for Electrical	1	LS	20%	17,303
Others				
Manual bar screen, width 7m	-	m	2,662	-
Installation (15% of Material Charges)	-	%	15%	-
Screen removal container	-	no	7,986	-
Emergency By pass pipe 700 mm	50	m	185	9,250
Emergency By pass excavation	50	m	113	5,657
Emergency By pass installation	50	m	73	3,627
TOTAL MECHANICAL & EQUIPMENT				11,820,290

2-24. Environment and Social mitigation costs are estimated at \$557,170 and consist of national compliance activities, such as displaying the results publically, laboratory testing, public consultation, and management aspects associated with public disclosure. In addition, there are estimated costs for operations and management of the monitoring and evaluation activities. Refer Table 12.

Table 12: Cost Estimates for Environmental & Social Mitigation

		Detailed Costs (USD)			
		Unit	Total	Unit Cost	Total
Environmental and Social Mitigation					
A AMDAL Preparation					
	Public display of activities prior to work	Unit	1	0.15	0.15
	Public display of activities prior to environmental certificate	Unit	1	0.15	0.15
1	Laboratory Testing				
	at WTP location - Water, Soil, Air, Noise	Unit	1	0.11	0.11
	at Pump Station - Water, Soil, Air, Noise	Unit	2	0.11	0.23
	Biology Test	Lump Sum	1	0.08	0.08
	Social Survey	Lump Sum	1	0.11	0.11
	Traffic analysis	Lump Sum	1	0.11	0.11
2	Presentation				
	KA ANDAL	Unit	2	0.15	0.30
	ANDAL, RKL, RPL	Unit	2	0.15	0.30
3	Public Consultation				
	Public consultation	Lump Sum	1	0.38	0.38
4	Office Consumables				
	Office Consumables - (environmental Office)	Month	6	0.02	0.14
5	Transport				
	Hire 4WD Twin Cab Pickup Truck	Month	6	0.60	3.60
6	Communications				
	Communications (Environmental Office)	Month	6	0.01	0.05
7	Reports and Communications				
	Reports & Communications	Lump Sum	1	0.02	0.02
8	AMDAL Team (6 staff x Assistant)	Lump Sum	1	52.54	52.54
9	Environmental Permit Process	Lump Sum	1	1.50	1.50
B Environmental & Social Mitigation					
1	Laboratory Testing - Water, Soil, Air, Noise	Unit	16	1.13	18.02
2	Transport - Hire 4WD Twin Cab Pickup Truck	Month	24	0.60	14.41
3	M&E Staff	Unit	4	52.54	210.18
4	Landscaping / Tree planting & Mangroves (Zone 3)	Lump Sum	4	2.00	8.00
5	Flood Embankment (Zone 3) or levee (design and construction)	Lump Sum	4	5.00	20.00
6	Operations				
	Project team leader	p-month	4	4.50	18.00
	Infrastructure engineer	p-month	22	4.50	99.00
	Environmental Expert	p-month	22	4.50	99.00
	Office Consumables - (environmental Office)	month	24	0.23	5.40
	Communications (Environmental Office)	month	24	0.08	1.80
	Reports & Communications	month	24	0.15	3.60
Grand Total Environment and Social Mitigation					557.17

3.2. Cost Estimates for Consulting Services

2-25. There are three types of Consulting Services envisaged for the Mataram implementation, (i) the Construction Supervision Consultant, (ii) the Design Consultant – contracted under the ADB ESP Project, and (iii) the Capacity Building Consultant. Under the costs for the Capacity Building Consultant costs are included for both the Startup of operations and for capacity development for outreach, enabling and O&M training. ADB ESP Project has provided the cost estimates for the Design Consultant.

Table 13: Cost Estimates for Construction Supervision Consultants (USD 000's)

a. Construction Supervision				Months	Cost \$	Total Cost
	a	Construction Supervision Engineer - WWTP (1) (int)	p-month	24	4.50	108.00
		Field Inspectors (WWTP - 2) National	p-month	48	4.50	216.00
	b	Sanitation Engineer - (Sewer) (1) (Int)	p-month	108	4.50	486.00
		Supervision Engineer (sewer) (National)	p-month	108	4.50	486.00
		Field Inspectors (Sewer -4) National	p-month	312	4.50	1,404.00
	d	Community Coordinators/Technican - HH Connections (National - 1)	p-month	84	4.50	378.00
		Community Field Facilitators- HH Connections (National - 10hh/day)	p-month	1,680	4.50	7,560.00
	e	Materials Engineer	p-month	32	4.50	144.00
	f	Geotechnical Engineer	p-month	45	4.50	202.50
	g	Quantity Surveyor (2)	p-month	132	4.50	594.00
Subtotal Construction Supervision						11,578.50