

**Ministry of Education, Culture, Research and  
Technology**

**Promoting Research and Innovation  
through Modern and Efficient  
Science and Technology Parks  
(PRIME STeP)**

**Financial Management Manual**

**Project Number: 55063-001**

**December 2023**

# PREFACE

The purpose of this manual is to describe the project financial management policies and procedures of the Promoting Research and Innovation through Modern and Efficient Science and Technology Parks (PRIME STeP) Project.

The Manual will provide guidance to the Executing Agency and Implementing Agencies involved in implementing the Project. It is intended to be a practical manual for project staff, that will help staff to understand the procedures and apply them in their daily work.

This manual also details the internal controls and specific methods to safeguard the project's assets, check the accuracy and reliability of recorded accounting data, and promote efficiency in the accounting operation with integrity, transparency, and accountability.

This manual is a living document and should be reviewed and revised from time to time to reflect implementation experiences and project developments. Revisions to the manual shall be approved by the Project Director and will require no objection from the ADB.

Ministry of Education, Culture, Research and Technology

# ACKNOWLEDGEMENTS

This manual was prepared by a team of ADB staff and consultants.

We would like to thank the government and university staff for their contributions to this manual, including staff from:

- The Ministry of Education, Culture, Research and Technology
- Bandung Institute of Technology
- Gadjah Mada University
- IPB University
- The University of Indonesia

Asian Development Bank

# ACRONYMS

|          |  |
|----------|--|
| ADB      | Asian Development Bank   |
| APBN     | Anggaran Pendapatan dan Belanja Negara (State Budget)                              |
| APFS     | Annual Project Financial Statements  |
| BAPPENAS | Badan Perencanaan Pembangunan Nasional (Ministry of National Development Planning) |
| BPK      | Badan Pemeriksa Keuangan (Audit Board of the Republic of Indonesia)                |
| CPD      | Client Portal for Disbursements  |
| CTLA     | Controllers Department.  |
| DGHERT   | Directorate General of Higher Education, Research and Technology                   |
| DOM      | Directorate of Organizational Management, MOECRT                                   |
| DIPA     | Daftar Isian Pelaksanaan Anggaran (Budget Execution (Allotment) Document)          |
| DJA      | Director General of Budget   |
| DJPB     | Directorate General of Treasury  |
| DJPPR    | Directorate General of Budget, Risk and Financing                                  |
| EA       | Executing Agency   |
| FM       | Financial Management   |
| FMA      | Financial Management Assessment  |
| FMAP     | Financial Management Action Plan   |
| FMM      | Financial Management Manual  |
| GOI      | Government of Indonesia  |
| HEI      | Higher Education Institution   |
| IA       | Implementing Agency  |
| IDR      | Indonesian Rupiah  |
| IPB      | IPB University   |
| IRM      | Indonesia Resident Mission   |
| ITB      | Bandung Institute of Technology  |
| JPY      | Japanese Yen   |
| KPA      | Kuasa Pengguna Anggaran (Proxy of Budget User)                                     |
| KPPN     | Regional Treasury Office   |
| LFIS     | Loan Financial Information System  |
| MOECRT   | Ministry of Education, Culture, Research and Technology                            |
| MOF      | Ministry of Finance  |
| MOU      | Memorandum of Understanding  |
| NOL      | No Objection Letter  |
| PAM      | Project Administration Manual  |
| PCSS     | Procurement Contract Summary Sheet   |

|           |  |
|-----------|--|
| PFM       | Public Financial Management  |
| PIU       | Project Implementation Unit  |
| PMC       | Project Management Consultant  |
| PMU       | Project Management Unit  |
| PNBP      | Penerimaan Negara Bukan Pajak (Non-State Tax Revenue)  |
| POK       | Petunjuk Operasional Kegiatan (Detailed Budget Allocation)   |
| PPK       | Commitment Making Officer  |
| PPSM      | Payment Instruction Signing Officer  |
| R&I       | Research & Innovation  |
| SAKPP     | Sistem Akuntansi Keuangan Pemerintah Pusat (Central Government Financial Accounting System).                                 |
| SAKTI     | Sistem Aplikasi Keuangan Tingkat Instansi (Institution Level Financial Application System)                                   |
| SIMAK BMN | Sistem Informasi Manajemen Akuntansi Barang Milik Negara (Accounting and Management Information System of State-Owned Asset) |
| SPAN      | Sistem Perbendaharaan dan Anggaran Negara (State Treasury and Budget Systems)  |
| SOE       | Statement of Expenditure   |
| SPKN      | Standar Pemeriksaan Keuangan Negara (State Financial Audits Standards)   |
| SPM       | Surat Perintah Membayar (payment order)  |
| SPP       | Surat Permintaan Pembayaran (Payment Request Letter)   |
| SP2D      | Surat Perintah Pencairan Dana (Fund Disbursement Order)  |
| STP       | Science & Technology Park  |
| UGM       | Gadjah Mada University   |
| UI        | University of Indonesia  |
| USD       | US Dollar  |
| WA        | Withdrawal Application   |

# CONTENTS

## Contents

|  |           |
|--|-----------|
| <b>1. INTRODUCTION .....</b>   | <b>9</b>  |
| 1.1. Project overview .....  | 9         |
| 1.2. Project structure .....   | 9         |
| 1.3. Reference documents .....   | 12        |
| 1.4. Financial Management Action Plan .....                              | 15        |
| <b>2. FINANCE RESPONSIBILITIES.....</b>                                  | <b>17</b> |
| 2.1. Financial management responsibilities of each entity .....          | 17        |
| 2.2. PMU and PIU Finance units .....                                     | 19        |
| <b>3. INTERNAL CONTROLS .....</b>  | <b>22</b> |
| 3.1. Introduction .....  | 22        |
| 3.2. Eligible and ineligible costs.....                                  | 23        |
| 3.3. Delegation of authority .....                                       | 23        |
| 3.4. Authorities of KPA, PPK and PPSM officers .....                     | 24        |
| <b>4. ACCOUNTING POLICIES.....</b>                                       | <b>27</b> |
| 4.1. Financial year and accounting periods.....                          | 27        |
| 4.2. Basis of accounting .....   | 27        |
| 4.3. Currency of recording.....  | 27        |
| <b>5. FUNDS FLOW ARRANGEMENTS .....</b>                                  | <b>28</b> |
| 5.1. Funds flow diagram.....   | 28        |
| 5.2. Disbursements from Advance Account to University Bank Accounts..... | 29        |
| 5.3. Funds flow for Research & Innovation Grants .....                   | 33        |
| 5.4. Funds flow for Government funds .....                               | 39        |
| <b>6. WITHDRAWAL APPLICATIONS .....</b>                                  | <b>40</b> |
| 6.1. Introduction .....  | 40        |
| 6.2. Advance .....   | 40        |
| 6.3. Replenishment and liquidation.....                                  | 42        |
| 6.4. Direct Payments .....   | 46        |
| <b>7. BANK ACCOUNTS .....</b>  | <b>48</b> |
| 7.1. Introduction .....  | 48        |
| 7.2. Bank controls .....   | 49        |
| 7.3. Bank reconciliations .....  | 49        |
| <b>8. PETTY CASH.....</b>  | <b>50</b> |
| 8.1. Introduction .....  | 50        |
| 8.2. Petty cash controls .....   | 50        |

|            |  |           |
|------------|--|-----------|
| 8.3.       | Petty cash payments process .....                    | 50        |
| 8.4.       | Replenishing petty cash .....                        | 51        |
| <b>9.</b>  | <b>PLANNING AND BUDGETING.....</b>                   | <b>52</b> |
| 9.1.       | Life of project budget.....                          | 52        |
| 9.2.       | Annual budget .....                                  | 53        |
| 9.3.       | Budget monitoring .....                              | 57        |
| 9.4.       | Budget reallocations .....                           | 57        |
| <b>10.</b> | <b>RECEIPTS.....</b>                                 | <b>58</b> |
| 10.1.      | Introduction .....                                   | 58        |
| 10.2.      | Receipt of funds from ADB.....                       | 58        |
| 10.3.      | Refunds from staff advances .....                    | 58        |
| 10.4.      | Bank interest and other receipts .....               | 58        |
| <b>11.</b> | <b>PAYMENTS/DISBURSEMENTS.....</b>                   | <b>59</b> |
| 11.1.      | Payments by PMU .....                                | 59        |
| 11.2.      | Payments by PIUs .....                               | 59        |
| 11.3.      | Payments by Research & Innovation Grants.....        | 61        |
| <b>12.</b> | <b>COST AND ALLOCATION CATEGORIES.....</b>           | <b>62</b> |
| 12.1.      | Cost categories and Allocation categories .....      | 62        |
| 12.2.      | Cost category descriptions .....                     | 63        |
| 12.3.      | ADB and Government funding .....                     | 64        |
| 12.4.      | Taxes.....   | 64        |
| <b>13.</b> | <b>PROCUREMENT AND CONTRACT MANAGEMENT.....</b>      | <b>65</b> |
| 13.1.      | Procurement responsibilities .....                   | 65        |
| 13.2.      | Procurement plan.....                                | 65        |
| 13.3.      | Contract register .....                              | 66        |
| 13.4.      | Bid security and performance security deposits ..... | 67        |
| 13.5.      | Contract payments.....                               | 68        |
| 13.6.      | Retentions.....                                      | 69        |
| <b>14.</b> | <b>RESEARCH &amp; INNOVATION GRANTS .....</b>        | <b>70</b> |
| 14.1.      | Introduction .....                                   | 70        |
| 14.2.      | Financial processes .....                            | 71        |
| <b>15.</b> | <b>CAPACITY DEVELOPMENT .....</b>                    | <b>72</b> |
| 15.1.      | Introduction .....                                   | 72        |
| 15.2.      | Capacity development processes.....                  | 72        |
| <b>16.</b> | <b>STAFF ADVANCES .....</b>                          | <b>73</b> |
| 16.1.      | Introduction .....                                   | 73        |
| 16.2.      | Requesting an advance .....                          | 73        |
| 16.3.      | Settling an advance.....                             | 73        |

|            |  |            |
|------------|--|------------|
| 16.4.      | Monitoring advances.....                         | 73         |
| <b>17.</b> | <b>FIXED ASSETS.....</b>                         | <b>74</b>  |
| 17.1.      | Introduction .....                               | 74         |
| 17.2.      | Receiving assets .....                           | 74         |
| 17.3.      | Use of assets .....                              | 74         |
| 17.4.      | Fixed Asset inventory .....                      | 75         |
| 17.5.      | Physical check of assets .....                   | 75         |
| 17.6.      | Asset handover .....                             | 76         |
| <b>18.</b> | <b>ACCOUNTING SYSTEMS .....</b>                  | <b>77</b>  |
| 18.1.      | Accounting software .....                        | 77         |
| 18.2.      | Coding structure .....                           | 78         |
| 18.3.      | Vouchers.....                                    | 79         |
| 18.4.      | Registers.....                                   | 80         |
| 18.5.      | Accounting processes .....                       | 80         |
| <b>19.</b> | <b>FINANCIAL REPORTS .....</b>                   | <b>81</b>  |
| 19.1.      | Introduction .....                               | 81         |
| 19.2.      | Monthly finance reports.....                     | 81         |
| 19.3.      | Quarterly progress reports.....                  | 82         |
| 19.4.      | Quarterly report for BAPPENAS and MOF.....       | 89         |
| 19.5.      | Annual progress reports.....                     | 92         |
| 19.6.      | Annual entity financial statements.....          | 92         |
| <b>20.</b> | <b>ANNUAL PROJECT FINANCIAL STATEMENTS .....</b> | <b>93</b>  |
| 20.1.      | Introduction .....                               | 93         |
| 20.2.      | Format of APFS .....                             | 93         |
| 20.3.      | Process to complete consolidated APFS .....      | 96         |
| <b>21.</b> | <b>EXTERNAL AUDIT .....</b>                      | <b>97</b>  |
| 21.1.      | Introduction .....                               | 97         |
| 21.2.      | External audit process .....                     | 97         |
| 21.3.      | Audit report.....                                | 97         |
| 21.4.      | Implementing audit recommendations .....         | 98         |
| <b>22.</b> | <b>INTERNAL AUDIT.....</b>                       | <b>99</b>  |
| 22.1.      | Introduction .....                               | 99         |
| 22.2.      | Internal audit process .....                     | 99         |
| <b>23.</b> | <b>FILING AND DOCUMENT RETENTION.....</b>        | <b>101</b> |
| 23.1.      | Filing systems .....                             | 101        |
| 23.2.      | Digital files .....                              | 101        |
| 23.3.      | Document retention.....                          | 101        |



# 1. INTRODUCTION

## 1.1. Project overview

The project will support the government's strategy to commercialize research and development (R&D) and improve the success rate of startup incubation of four science and technology parks (STPs). The four STPs operate under public higher education institutions of Bandung Institute of Technology (ITB), Bandung, West Java; Gadjah Mada University (UGM), Yogyakarta; IPB University (IPB), Bogor, West Java; and University of Indonesia (UI), Jakarta.

The project will assist the four STPs to upgrade advanced R&D and startup incubation facilities, provide grants to strengthen R&D collaborations with the private sector and foster promising startups, and upgrade domain expertise of STPs' researchers and capability of research administration staff. It will support each STP to focus on disciplinary fields that are aligned with the Indonesia priority economic sectors. ITB will focus on engineering (transport and energy), Information and communication technology, disaster prevention technology, and food and health technology; UGM on health and pharmaceutical, agro-industry, and renewable energy; IPB on agro-processing, functional food technology, and natural cosmetics and pharmaceuticals; and UI on medical device technology, drugs and functional food innovation, and engineering innovation including artificial intelligence and renewable energy. This project will strengthen public-private R&D collaboration, increase workforce competitiveness and productivity particularly as new technologies are developed and adopted, and promote youth entrepreneurship and job creation.

The project is aligned with the following impact: competitiveness of Indonesia's economy and sustained economic growth strengthened through R&D and innovation. The project will have the following outcome: quality and relevance of R&D and innovation system in the four STPs improved.

The project has three outputs:

- Output 1: Facilities for research and development and innovation at four science and technology parks upgraded
- Output 2: The four science and technology parks' research and development administration, partnerships, and startup incubation strengthened
- Output 3: Capacity of the four science and technology parks and the Ministry of Education, Culture, Research and Technology strengthened

## 1.2. Project structure

### Executing Agency

The Executing Agency (EA) is the Ministry of Education, Culture, Research and Technology (MOECRT) through the Directorate General of Higher Education, Research and Technology (DGHERT).

The EA will establish a project management unit (PMU), which will be responsible for overall project implementation.

The Director for Organizational Management of DGHERT will serve as Project Director of PMU, who will be supported by a Project Manager.

The Project Manager may serve as concurrent Commitment-Making Officer of the DGHERT, provided he/she holds a Procurement Certificate.

The PMU will have a PMU Executive Secretary, 17 full-time staff and will be supported by a project management consultant team (PMC).

### Implementing Agencies

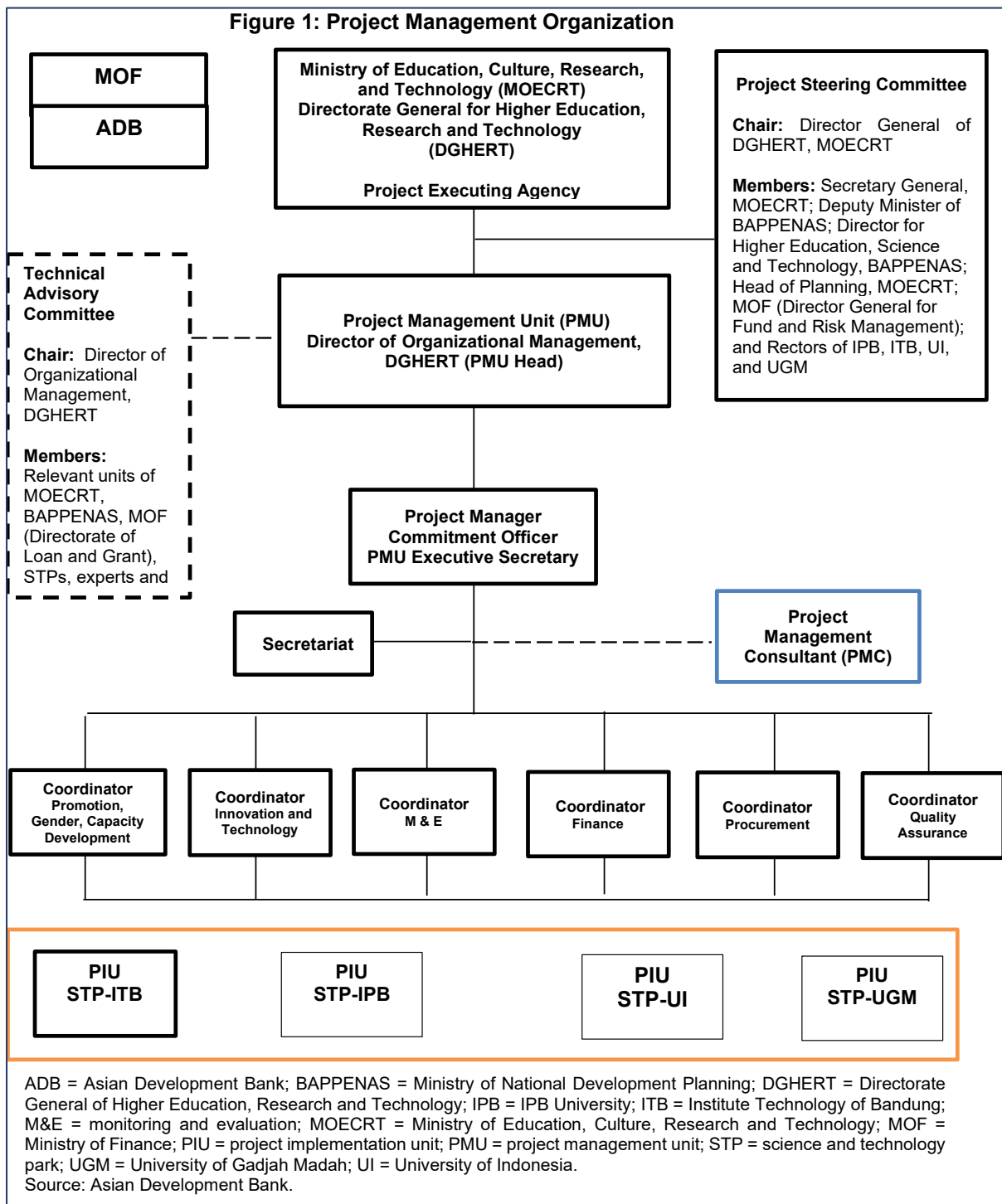
There are four Implementing Agencies (IAs), which are autonomous public universities:

- Bandung Institute of Technology (ITB)
- Gadjah Mada University (UGM)
- IPB University (IPB)
- University of Indonesia (UI)

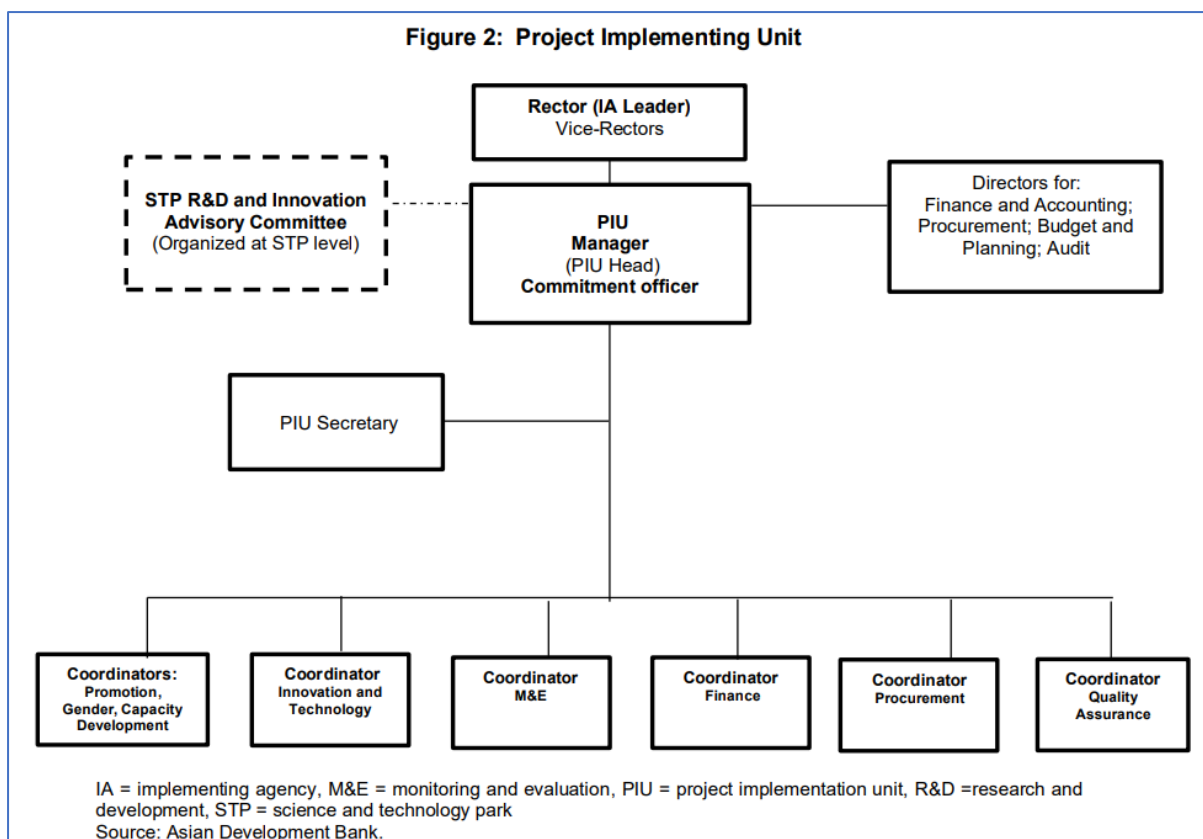
Each IA will establish a Project Implementation Unit (PIU)

Each PIU will be headed by a PIU manager.

## Project Organization Structure



## PIU Structure



### 1.3. Reference documents

Some key financial management policies or requirements are contained in other documents. This manual has been developed to be consistent with these documents, and to articulate further details to the financial management arrangements included in the Project Administration Manual. Staff should refer to these other documents to ensure the project complies with all required rules and regulations.

| Document                                | Notes   |
|---|---|
| Loan Agreement (dated 21 December 2022) | The loan agreement between the ADB and the Government of Indonesia sets out the loan's terms and conditions and the obligations to be performed by the government for the project.  |
| Project administration manual (PAM)     | This is the main document describing implementation details, including descriptions of activities, administrative and management requirements.  |
| ADB Loan Disbursement Handbook          | The ADB Loan Disbursement Handbook (2022, as amended from time to time) guides borrowers in withdrawing loan proceeds from the loan account. It is a reference guide for projects to understand ADB policies and to support implementation. |

The project should also ensure that it complies with relevant government regulations and instructions, and staff should refer to these regulations, among others:

- Law number 17 of 2003 concerning State Finance.
- Law number 1 of 2004 concerning the State Treasury.

- Government Regulation number 45 of 2013 concerning Procedures for the Implementation of the State Revenue and Expenditure Budget.
- Presidential Decree Number 42 of 2002 concerning Budget Implementation Guidelines State Revenues and Expenditures and their explanations and amendments thereto.
- Decree of the Minister of Finance of the Republic of Indonesia Number Kep. 330/M/V/1968 regarding Guidelines for Administration of State-Owned Cash, Monitoring Methods, and the check-up (examine).
- Decree of the Minister of Finance of the Republic of Indonesia Number Kep. 331/V/1968 concerning Guidelines for Employees who are given the Task of Conducting General Checks of Cash for Treasurers / Law Enforcers.
- Decree of the Minister of Finance of the Republic of Indonesia Number Kep. 332/M/V/1968 regarding General Cash Book and How to Work It.
- Circular Letter of the Director General of Budget Number SE-106/A.6/2001 concerning Instructions for Collection of Added Value Taxes (PPN/PPN BM) and Income Taxes (PPH) government projects that financed by Grants or Foreign Loan Funds, 6 August 2002.
- Joint Decree of the Minister of Finance and the State Minister of Planning National Development/Chairman of Bappenas No.185/KMK.03/1995 and No 031/KET/5/1995 concerning Procedures for Planning, Implementation/ Administration and Monitoring of Foreign Loans/Grants in the context of State Budget.
- Minister of Finance Regulation No. 59/PMK.06/2005 regarding Central Government Accounting and Financial Reporting System.
- Decree of the Director General of the Treasury number KEP-66/PB/2013 concerning Standard Operating Procedures for Disbursement of Funds at the State Treasury Service Office (KPPN).
- Minister of Finance Regulation No. 143/PMK.05/2006 dated December 29, 2006 concerning Procedures for Withdrawal of Foreign Loans and/or Grants, in the context of implementing the APBN.
- Government Regulation of the Republic of Indonesia number 25 of 2001 concerning the third amendment to Government Regulation number 42 of 1995 concerning import duties, additional import duties, value added tax and sales of luxury goods and income tax in the context of implementing government projects financed by grants or foreign loan funds.
- Regulation of the Minister of Finance number 182 / PMK.05 / 20 17 concerning Account Management of State Ministries / Institutions.
- Minister of Finance Regulation number 154 / PMK.05 / 2014 concerning the Implementation of the State Treasury and Budget System.
- Minister of Finance Regulation number 171 / PMK.05 / 2021 concerning the Implementation of the SAKTI System.
- Regulation of the Minister of Finance Number 168/PMK.05/2015 concerning Mechanisms for Implementation of Government Aid to Ministries/Institutions (State Gazette of the Republic of Indonesia of 2015 Number 1340) as amended several times, most recently by Regulation of the Minister of Finance Number 132/PMK.05/2021 concerning the Second Amendment to Regulation of the Minister of Finance Number 168/PMK.05/2015 concerning Implementation of Government Aid Mechanisms at Ministries/Institutions (State Gazette of the Republic of Indonesia of 20 21 Number 1080).
- Regulation of the Minister of Education and Culture Number 32 of 2019 concerning General Guidelines for Distribution of Government Aid within the Ministry of Education and Culture (State Gazette of the Republic of Indonesia of 2019 Number 1167) as amended by Regulation of the Minister of Education and Culture Number 44 of 2020

concerning Amendments to Regulation of the Minister of Education and Culture Number 32 of 2019 concerning General Guidelines for Distribution of Government Aid within the Ministry of Education and Culture (State Gazette of the Republic of Indonesia of 2020 Number 1145).

## 1.4. Financial Management Action Plan

A financial management action plan (FMAP) is included in the PAM and shown here.

The FMAP shows the mitigation measures that need to be taken to address financial management risks identified as part of the due diligence conducted during project preparation.

The project should ensure that all the mitigating measures are implemented according to the set timelines and will report on the status of these in quarterly project progress reports to ADB and during review missions. **The financial management time-bound action plan (FMAP) is as follows:**

| Risks Description   | Mitigation Measures  | Period  | Responsibility  |
|---|--|---|---|
| Implementing agencies' lack of familiarity with ADB's project guidelines and Loan Disbursement Handbook (2022, as amended from time to time) may affect their ability to effectively manage the project, process disbursements, fund flows, and financial management arrangements to ensure accurate and timely financial reporting and auditing.   | Provide training to relevant project staff on ADB procedures including ADB's Loan Disbursement Handbook (2022, as amended from time to time).<br><br>Conduct a financial management workshop for the current and newly recruited project financial management staff.   | During inception mission and annually for the first three years of implementation   | MOECRT, IPB, ITB, UGM, University of Indonesia, and ADB   |
| MOECRT and the universities prepare financial statements following accrual basis of accounting. However, following the recent issuance by the Ministry of Finance for donor-funded projects, a cash-basis of accounting will be adopted by MOECRT and the universities in preparing their respective financial statements which will then be consolidated by MOECRT. MOECRT's and the Implementing agencies' lack of familiarity in preparing consolidated financial statements using cash basis of accounting could result in delay and misstatements in the project financial statements. | <b>A financial management manual will be prepared to provide guidance on ADB-financed projects. It will cover financial management process at the implementing agencies and executing agency level including funds flow, budgeting and planning, disbursements, accounting and preparation of project financial statements.</b><br><br><b>The manual will be rolled out through trainings and workshops to relevant project staff.</b> | Before project effectiveness<br><br>During inception mission and annually for the first three years of implementation                                     | MOECRT, IPB, ITB, UGM, University of Indonesia, and ADB<br><br>MOECRT, IPB, ITB, UGM, University of Indonesia, and ADB  |
| Executing agency and Implementing agencies' overstretched capacity may adversely affect their ability to effectively manage the project, monitor financial management arrangements, ensure fiduciary controls, and render accurate and timely financial reporting.  | MOECRT and the universities will appoint competent personnel to be assigned to the project.<br><br>Additional financial management specialist will be hired to support the PMU and PIUs and qualified financial management and procurement consultants will be engaged for the project.<br><br>Trainings on disbursements and financial management will be provided to the new staff.  | Before project effectiveness<br><br>Before project effectiveness<br><br>During inception mission and annually for the first three years of implementation | MOECRT, IPB, ITB, UGM, University of Indonesia and ADB<br>MOECRT, IPB, ITB, UGM, University of Indonesia<br><br>MOECRT, IPB, ITB, UGM, University of Indonesia, and ADB |
| Funds will be disbursed first to the university accounts, and not directly  | The IAs will report at the end of each quarter the use of funds received from the  | Quarterly during project implementation   | IAs and MOECRT  |

ADB = Asian Development Bank, EA = executing agency, FM = financial management, GOI = Government of Indonesia, IA = implementing agency, MOF = Ministry of Finance, MOU = memorandum of understanding, PFM = public financial management, PIU = project implementation unit, PMU = project management unit. Source: Asian Development Bank.



## 2. FINANCE RESPONSIBILITIES

### 2.1. Financial management responsibilities of each entity

The main financial management responsibilities of each entity involved in the project implementation are included in the PAM and are shown in the table below:

| Entity                                       | Main Responsibilities  |
|--|--|
| Asian Development Bank                       | <ul style="list-style-type: none"> <li>• Process withdrawal applications and release eligible funds in a timely manner.</li> <li>• Monitor and require compliance of financial audit recommendations.</li> <li>• Review annual Audited Project Financial Statements (APFS) to confirm that financial statements were prepared and audited following international standards and that the share of ADB's financing is used for the purpose of the project.</li> <li>• Upload the APFS to the ADB website.</li> </ul>  |
| Ministry of Finance                          | <ul style="list-style-type: none"> <li>• Monitor project implementation, coordination and facilitation allocation and release of project budget, including counterpart funds.</li> <li>• Establish, manage, and maintain the advance account.</li> <li>• Verify and endorse withdrawal application processing for submission to ADB through the client portal for disbursement (CPD).</li> <li>• Process and submit to ADB any request for reallocating and cancelling the loan proceeds, when required.</li> </ul>  |
| Project Steering Committee                   | <ul style="list-style-type: none"> <li>• Advise annual budget allocation including loan and counterpart funds, and university sourced funds (PNBP).</li> </ul>   |
| Executing agency (MOECRT through its DGHERT) | <ul style="list-style-type: none"> <li>• MOECRT serves as the budget user for the project.</li> <li>• DGHERT approve annual budget plan based on consolidated proposals from the project (PMU and IAs).</li> </ul>   |
| Project management unit (PMU)                | <ul style="list-style-type: none"> <li>• Facilitate withdrawal applications of PIUs and disbursement.</li> <li>• Prepare and submit withdrawal applications to the MOF (Director General of Treasury) which include relevant data and required supporting documents for replenishment or liquidation.</li> <li>• Ensure fiduciary controls, compliance with loan covenants.</li> <li>• Prepare annual work plans, budget plans and procurement for the entire project, based on the approved annual plans, budgets and procurement plans of each university.</li> <li>• Coordinate with the Planning Section of the MOECRT to facilitate timely processing and approval of the annual budget for project implementation, including budget revisions, if needed.</li> <li>• Prepare progress reports to the MOECRT, MOF, BAPPENAS, and ADB, including finance reports.</li> <li>• Participate in Quarterly Monitoring Meeting organized by BAPPENAS.</li> </ul> |

| Entity  | Main Responsibilities   |
|---|---|
|   | <ul style="list-style-type: none"> <li>• Ensure that the annual audit is well prepared in accordance with government and ADB policies.</li> <li>• Prepare and submit annual APFS.</li> <li>• Maintain separate project accounts and records by funding source and all expenditures incurred on the project.</li> <li>• Consolidate the project accounts and prepare consolidated project financial statements in accordance with government accounting laws and regulations and have it audited by BPK.</li> <li>• Manage financial reporting and accountability aspects (withdrawal applications, financial reports, audits, bank account statements, etc.).</li> <li>• Ensure compliance with ADB's disbursement and financial management requirements.</li> </ul>  |
| <p>Implementing agencies:<br/>ITB, IPB, UI, UGM</p>                         | <ul style="list-style-type: none"> <li>• Issue decree to facilitate effective and efficient functional relationship between the PIU and the university staff for procurement, finance and accounting, budget and planning, and audit.</li> <li>• Monitor project progress regularly and provide guidance and support to the PIU.</li> <li>• Ensure compliance with ADB's disbursement and financial management requirements, including reporting on use of funds received from the advance account.</li> </ul>  |
| <p>Project implementation unit at each implementing agency</p>              | <ul style="list-style-type: none"> <li>• Prepare annual work plans and budgets in line with the project implementation schedule and procurement plan and submit to PMU for review and endorsement.</li> <li>• Manage implementation of overall work plan and activities in the university.</li> <li>• Ensure proper financial management of project for the part managed in the university, including preparing for audit.</li> <li>• Maintain separate project accounts and records by funding source for all expenditures incurred on the project.</li> <li>• Ensure proper project financial management, preparation, and submission of project financial statements.</li> <li>• Report at the end of each month and quarter the use of funds received from the advance account including the average turnaround time for the use of funds.</li> </ul> |
| <p>Project Management Consultant (PMC) (team or individual consultants)</p> | <ul style="list-style-type: none"> <li>• Assist the PMU to prepare annual work program and budget based on inputs from the respective PIUs and process the work plan for DIPA processing.</li> <li>• Review the submitted project related documents from each PIU and ensure that the documents fully meet the requirements and are compliant with ADB guidelines prior to forwarding them to the respective stakeholders, including ADB.</li> <li>• Prepare and monitor consolidated contract awards and disbursement projections and actual achievements.</li> <li>• Establish a project performance monitoring system (PPMS), to monitor progress of the respective project at the universities, including physical, financial, permits,</li> </ul>  |

| Entity | Main Responsibilities   |
|--------|---|
|        | <p>project source of funds, and regularly update of the project cost.</p> <ul style="list-style-type: none"> <li>• Support the PMU to ensure that the provision of funds from all financing resources are provided timely.</li> <li>• Prepare quarterly and annual progress reports.</li> <li>• Prepare draft consolidated financial reports for external auditing purposes.</li> <li>• Ensure that all loan and project covenants are fully complied.</li> <li>• Prepare draft quarterly and annual progress reports for review by PMU.</li> </ul> |

## 2.2. PMU and PIU Finance units

Each PMU and PIU will include a finance unit headed by a finance coordinator or equivalent position. Each finance unit will be responsible for day-to-day financial management tasks, including budgeting and planning, maintaining strong internal controls, managing bank accounts, monitoring funds flows and preparing funds requests, processing payments, maintaining accounting systems, financial monitoring, and reporting, and working with internal and external auditors.

In addition:

- The finance unit of the PMU will be responsible for consolidating the financial information for the whole project, monitoring project-wide financial performance, contract management, preparing consolidated finance reports and submitting withdrawal applications.
- The finance units of the PIUs will be responsible for supporting the Project Administration at PIU, Training and Capacity Development and Applied Research Innovation & Start up Incubation Grants. The PIUs will also help ensure that the funds disbursed to the university account will be transferred immediately to the grantees and recipients. The PIUs will also report at the end of each quarter the use of funds received from the advance account including the average turnaround time for the use of funds.

### PMU finance unit

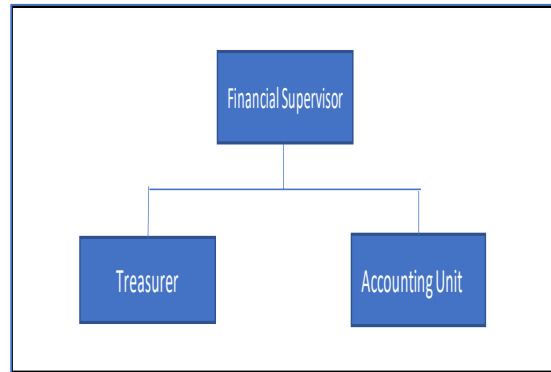
The PMU finance unit will consist of personnel from DGHERT who are assigned to the project. A coordinator on financial management will be recruited as part of the team.

### PMC Financial Management Specialist

The PMU will recruit a full-time **Financial Management Specialist** (individual consultant) as part of Project Management Consultant team. The specialist will provide support to the PMU finance unit (including maintaining accounting systems, preparing financial reports, managing funds flow, monitoring budget performance, and identifying measures to improve the financial management system) and will provide coaching to the PIU finance units.

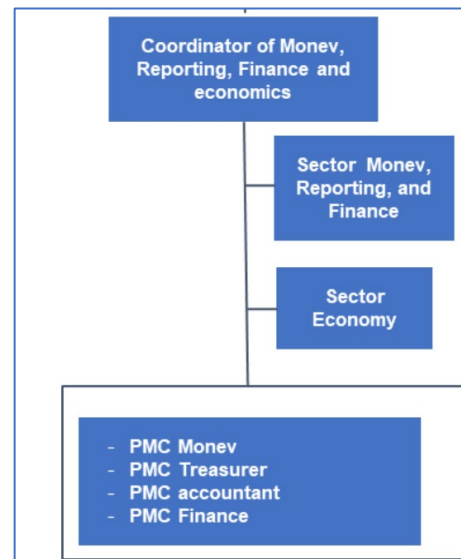
IPB PIU finance unit

The project finance unit will be led by the **financial supervisor**, who will report to the Deputy Director.



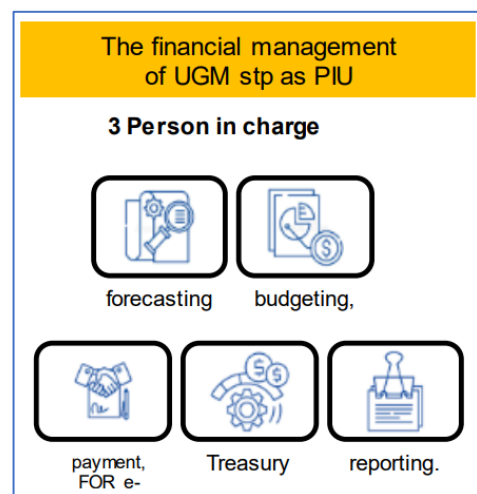
ITB PIU finance unit

The project finance unit will be led by a finance coordinator who will report to the Head of the PIU. The finance unit will be structured as shown in this diagram.



UGM PIU finance unit

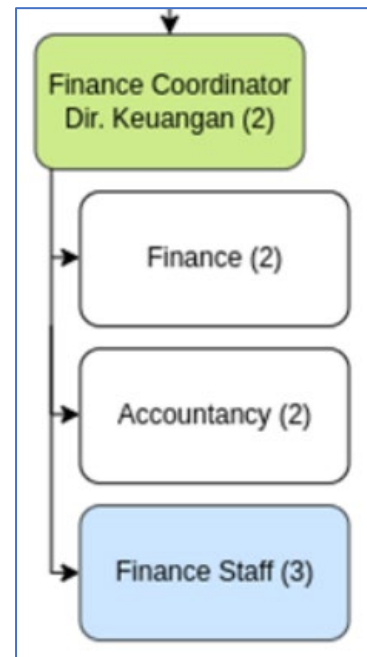
The project finance unit will be led by a **finance coordinator** who will report to the Head of Division.



UI PIU finance unit

UI will set up a finance unit specifically for the project. The finance unit will be led by a **finance coordinator** who will report to the Chief Executive Director of the Directorate of Innovation and Science Techno Park

The structure of the finance unit is shown in this diagram. The unit will consist of some existing university staff (shown in the green and white boxes in the diagram) some new staff to be recruited (shown in the blue box).



## 3. INTERNAL CONTROLS

### 3.1. Introduction

Internal controls are the policies and procedures put in place that are designed to ensure that:

- accounting records are reliable and complete;
- project funds are used in an economical, efficient, and effective manner;
- the project complies with ADB, government and legal requirements;
- assets are protected; and
- dishonesty is discouraged.

Some important internal controls are:

| Internal control                                | Examples   |
|---|--|
| Management commitment                           | Management must be committed to effective internal control and demonstrate an attitude that influences staff to comply with procedures.  |
| Organisational controls                         | There should be clear reporting lines and clearly defined responsibilities.  |
| Staffing  | Staff should be adequately trained and properly guided and supervised to enable them to carry out their duties and responsibilities effectively and abide by a code of conduct.  |
| Segregation of duties                           | There will be segregation of duties for finance tasks, so that no individual has complete control over a sequence of related transactions. Proper segregation of duties permits the work of one person to be checked/reviewed by another person.       |
| Clearly understood procedures and documentation | Procedure manuals and job descriptions should be clearly documented. Staff should understand all relevant procedures. Standard documents should be used that are clear and easy to use.  |
| Effective management controls                   | Plans will be prepared and there will be regular reporting, and ongoing monitoring of performance.   |
| Effective operational controls                  | Transactions must be approved by a relevant authority. A double entry accounting software will be used. Regular reconciliations must be performed to compare sets of information. For example, the bank reconciliations will be performed every month. |
| Physical controls                               | Cash counts and asset verifications will be regularly performed.<br>The use of passwords to restrict access to sensitive computer files, and the use of safes and locks to protect buildings and assets will be required.                              |

Specific internal controls are included in the relevant sections throughout this manual.

## 3.2. Eligible and ineligible costs

### Eligible costs:

All costs charged to the project must be eligible.

This means that the costs must be in accordance with the categories specified in the Allocation Table in loan agreement, and in accordance with the PAM and the ADB Loan Disbursement Handbook (2022, as amended from time to time, see Appendix 4B).

Rules for eligible costs include:

- The activity was included in the approved workplan and budget and contributes to project outputs as indicated in the Design Monitoring Framework.
- The good or service was received by the project.
- The good or service was supplied from, and produced in, member countries of ADB.
- The cost is reasonable.
- The procedures in the project financial management manual were followed.
- The transaction was approved.
- The transaction has complete supporting documents.
- All invoices must be genuine official invoices, showing full company. Informal invoices shall not be accepted.
- **All costs must be incurred on or before the loan closing date.**

### Ineligible costs:

If any costs are determined to be ineligible, then the project will need to refund the amount of ineligible costs to the advance account or to ADB.

## 3.3. Delegation of authority

This section of the manual will clearly define the delegations and authorities for project implementation, i.e., who is authorised to approve project commitments and transactions, as shown in the table below:

| Transaction / document  | PMU/MOF  | PIU         |
|---|--|-------------|
| Sign Withdrawal Applications  | PKN (Directorate of State Cash Management, MOF) for Advance Account or KPPN KPH for Direct Payment |             |
| Sign Requests for funds from advance account to university account          |  | PIU Manager |
| Sign contracts for civil works, goods, consulting / non-consulting services | PPK-DOM  |             |

| Transaction / document  | PMU/MOF  | PIU  |
|---|--|--|
| Certifying the completion/ acceptance of Civil Works, Goods and Services. | PPK-DOM and Goods/Services Recipient Working Group | Technical Team-University, Engineer (Construction Management) and Goods/Services Recipient Working Group |
| Approve payment request   | PPK-DOM  |  |
| Approve payment order   | PPSPM-DOM  |  |
| Approve Fund Disbursement Order (SP2D)                                    | KPPN   |  |
| Approve petty cash vouchers   | PMU Manager  | PIU Manager  |
| Approve staff advances  | PMU Manager  | PIU Manager  |
| Approve expenditure claims  | PMU Manager  | PIU Manager  |
| Sign Research & Innovation Grants with researchers                        | PPK-DOM  | PIU Manager  |
| Approve payments for Research & Innovation Grant                          | PPK-DOM and PMU Manager                            | PIU Manager  |

### 3.4. Authorities of KPA, PPK and PPSM officers

#### **Proxy of Budget User (KPA)**

The Budget User (PA) /Proxy of Budget User carries out the activities as stated in the approved budget implementation document.

For the purposes of implementing the activities as stated in the budget implementation document, the Budget User/Proxy of Budget User is authorized to enter into ties/agreements with other parties within the stipulated budget limit.

Budget User/Proxy of Budget User has the right to test, charge on the budget items that have been provided, and order the payment of bills at the expense of the State Budget.

Budget User / Proxy of Budget User is authorized to:

- a. examine the correctness of the material evidence regarding the rights of the collecting party.
- b. examine the truth of the documents that are the requirements/completeness in connection with the bond/agreement for the procurement of goods/services.
- c. examine the availability of the relevant funds.
- d. charge expenses in accordance with the relevant expenditure budget items.
- e. order payments at the expense of the State Budget.

The appointment of the Proxy of Budget User in terms of appointing the head of the Work Unit that carries out the activities of the State Ministries/Institutions as the Proxy of Budget or appointing an official other than the head of the Work Unit as the Proxy of Budget User is ex-officio.

The appointment of Proxy of Budget User is not bound by the period of the fiscal year.

In the event that there is no change in the official appointed as Proxy of Budget User at the time of the change in the period of the fiscal year, the appointment of the Proxy of Budget User for the previous fiscal year is still valid.

The appointment of Proxy of Budget User ends if no budget is allocated for the same program in the following fiscal year.



Proxy of Budget User is formally and materially responsible to Budget User for the implementation of activities that are under its control.

Proxy of Budget User has duties and authorities:

- a. compiling DIPA (Budget Execution (Allotment) Document).
- b. determine PPK and PPSPM.
- c. determine the committee/officials involved in implementation of activities and budgets.
- d. determine the plan for the implementation of activities and the plan for disbursement of funds.
- e. take actions that result in the expenditure of the State Expenditure budget.
- f. perform testing of bills and payment orders at the expense of the state budget.
- g. supervising the administration of documents and transactions related to the implementation of activities and budgets; and
- h. prepare financial and performance reports in accordance with the Laws and Regulations.

### **Commitment-Making Officer (PPK)**

The PPK exercises the authority of the KPA in terms of taking actions that result in the expenditure of the State Expenditure budget.

PPK can be assigned to more than 1 (one) person.

The determination of the PPK is not bound by the period of the fiscal year.

In the event that there is no change in the official designated as PPK at the time of the replacement of the fiscal year period, the determination of the PPK for the previous fiscal year is still valid.

PPK positions may not be held concurrently by PPSPM and treasurer.

In the event that the appointment of the KPA ends, the appointment of the PPK will automatically end.

The PPK is responsible for the material truth and the consequences arising from the use of evidence regarding the right to collect from the state.

PPK has duties and authorities:

- a. prepare a plan for the implementation of activities and a plan for disbursement of funds.
- b. issue a letter of appointment of goods/services providers.
- c. issue a Letter of appointment of goods/services providers.
- d. carry out self-managed activities.
- e. notify the Proxy of the State General Treasurer of the agreement he has made.
- f. controlling the execution of the engagement.
- g. examine and sign a letter of evidence regarding the right to collect from the state.
- h. make and sign the SPP or other documents that are equivalent to the SPP.
- i. report the implementation/completion of activities to the KPA.
- j. submit the results of the implementation of the activities to the KPA with the Minutes of Delivery.
- k. store and maintain the integrity of all documents for the implementation of the activities; and
- l. carry out other duties and authorities related to actions that result in the expenditure of the State Expenditure budget.

### **Payment Instruction Signing Officer (PPSPM)**

PPSPM carries out the authority of KPA in terms of testing invoices and payment orders at the expense of the state budget.

PPSPM is only set for 1 (one) PPSPM.

The determination of PPSPM is not bound by the period of the fiscal year.

In the event that there is no change in the official appointed as PPSPM at the time of the replacement of the fiscal year period, the determination of the PPSPM for the previous fiscal year is still valid.

PPSPM positions may not be held concurrently by PPK and treasurer.

In the event that the KPA appointment ends, the PPSPM appointment will automatically end.

PPSPM is responsible for the correctness of administration, administrative completeness, and the legality of the administration of the payment collection rights document which is the basis for the issuance of the SPM and the consequences arising from the tests carried out.

PPSPM has the following duties and authorities:

- a. test the validity of the SPP or other documents that are equated with the SPP along with the supporting documents.
- b. refuse and return the SPP, if it does not meet the requirements to be paid.
- c. charge bills on the budget items that have been provided.
- d. issue SPM or other documents that are equivalent to SPM.
- e. store and maintain the integrity of all billing rights documents.
- f. report the implementation of testing and payment orders to KPA; and
- g. carry out other duties and authorities related to the implementation of tests and payment orders.

## **4. ACCOUNTING POLICIES**

### **4.1. Financial year and accounting periods**

The financial year for the project is from January to December. This is divided into 12 monthly reporting periods.

Annual workplans and budgets and annual project financial statements will be prepared for each financial year.

### **4.2. Basis of accounting**

The project will follow the cash basis of accounting. This means that:

- Expenditure is recognised when a payment is made, based on the SP2D (disbursement order) date.
- Fixed assets are fully expensed when they are purchased. They are not capitalised.
- Income is recognised when funds are received into a bank account, or when cash has been received.
- Direct payments (made by the ADB to suppliers on behalf of the project) will be treated as both income and expenditure when the payment to the supplier is made and recorded on the ADB Loan Financial Information Services (LFIS).

### **4.3. Currency of recording**

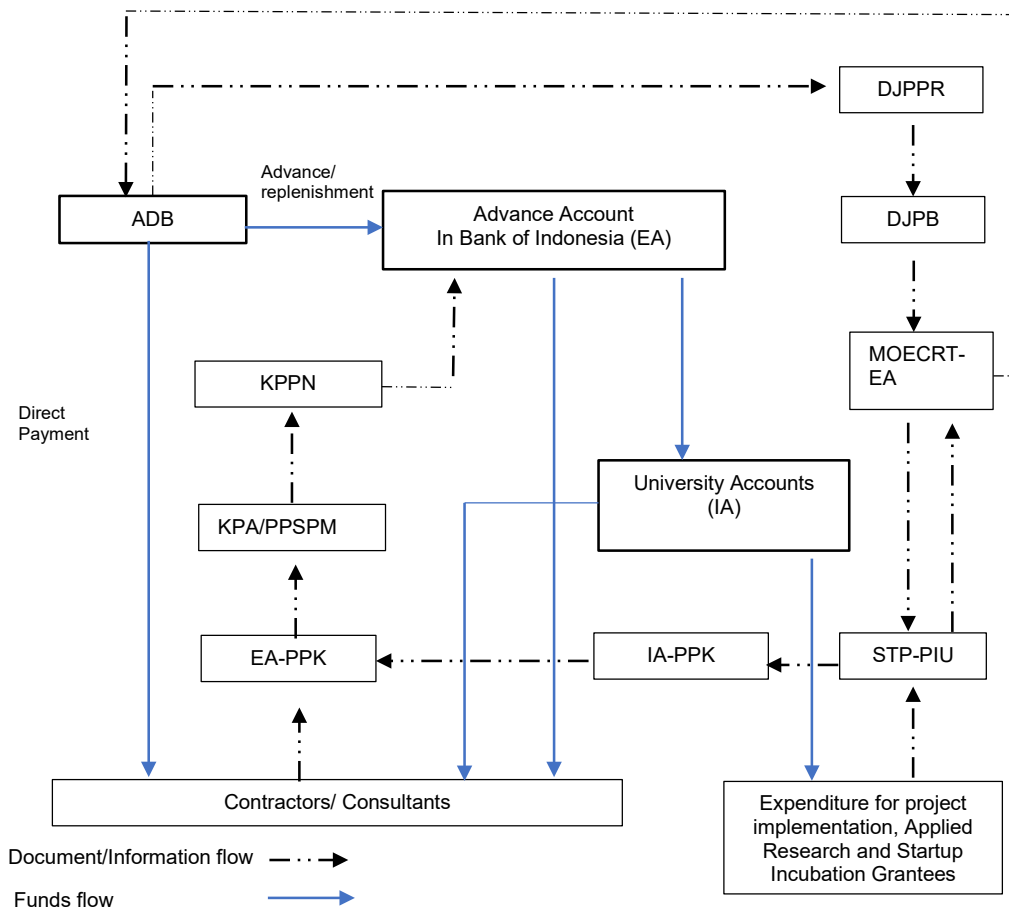
The accounts are maintained in Indonesian Rupiah (IDR).

Any transactions denominated in other currencies are translated into IDR using the exchange rate prevailing at the transaction date (date of payment or receipt or SP2D date).

## 5. FUNDS FLOW ARRANGEMENTS

### 5.1. Funds flow diagram

The funds flow arrangements for ADB Loan funds to the advance account for transfers from the advance account to beneficiaries are summarised in the diagram below.



ADB = Asian Development Bank, DJPB = Directorate General of Treasury, DJPPR = Directorate General of Budget, Risk and Financing, EA = executing agency, IA = implementing agency, KPA = Authorized Budget User, KPPN = Regional Treasury Office, MOECRT = Ministry of Education, Culture, Research and Technology, PIU = project implementing unit, PPK = commitment officer, PPSPM = Authorized Budget Officer, STP = science and technology park.

Source: Asian Development Bank.

The procedures for disbursements from ADB to the Advance Account and for Direct Payments to contractors are explained in Section 6 – Withdrawal Applications.

## **5.2. Disbursements from Advance Account to University Accounts**

### **Introduction**

There will be no sub-accounts.

The universities will receive funds from the advance account into a university account (IA). They will set up a new bank account or new virtual account for this purpose.

The funds disbursed from the advance account to university accounts (IA) will be expensed by the PMU as soon as they are disbursed; they will not be treated as advances.

The funds disbursed to university accounts (IA) will be for specific items (for research grants, startup incubation, capacity development or recurring costs) requested by the universities and/or PIUs.

The funds disbursed to the university accounts will be: (i) made available immediately within 14 working days to the grantees' virtual account (for research and innovation grants) following grant contract requirements; (ii) used to pay recipients (i.e., capacity development program scholars or awardees) within 30 working days from receipt by the university; and (iii) used to pay suppliers/contractors within 5 working days from receipt of complete and verified invoice.

The university account will serve as a passthrough account which will enable control and monitoring by the universities before they are disbursed to the grantees.

### **Disbursements for all cost categories except Applied Research & Start Up Incubation grants**

Funds will be disbursed from the advance account following the below process:

- The PMU's Commitment Making Officer (PPK), following request from university PIU, initiates a payment order and coordinates with MOF state treasury office who then issues a Fund Disbursement Order (SP2D).
- The MOF will make the payment using their own funds in the state treasury account, either:
  - (i) to the university accounts, and immediately to the recipients (i.e., within 30 working days from receipt by the university for capacity development program for scholars or awardee and within 5 working days from receipt of complete and verified invoice for suppliers/contractors or
  - (ii) with the EA/IA's approval, directly to the recipients.
- Within less than 24 hours after, the Fund Disbursement Order (SP2D) will be debited against the advance account.

For expediency, the university may consider financing first the capacity building expenses from its own funds, and thereafter seek reimbursement from the advance account.

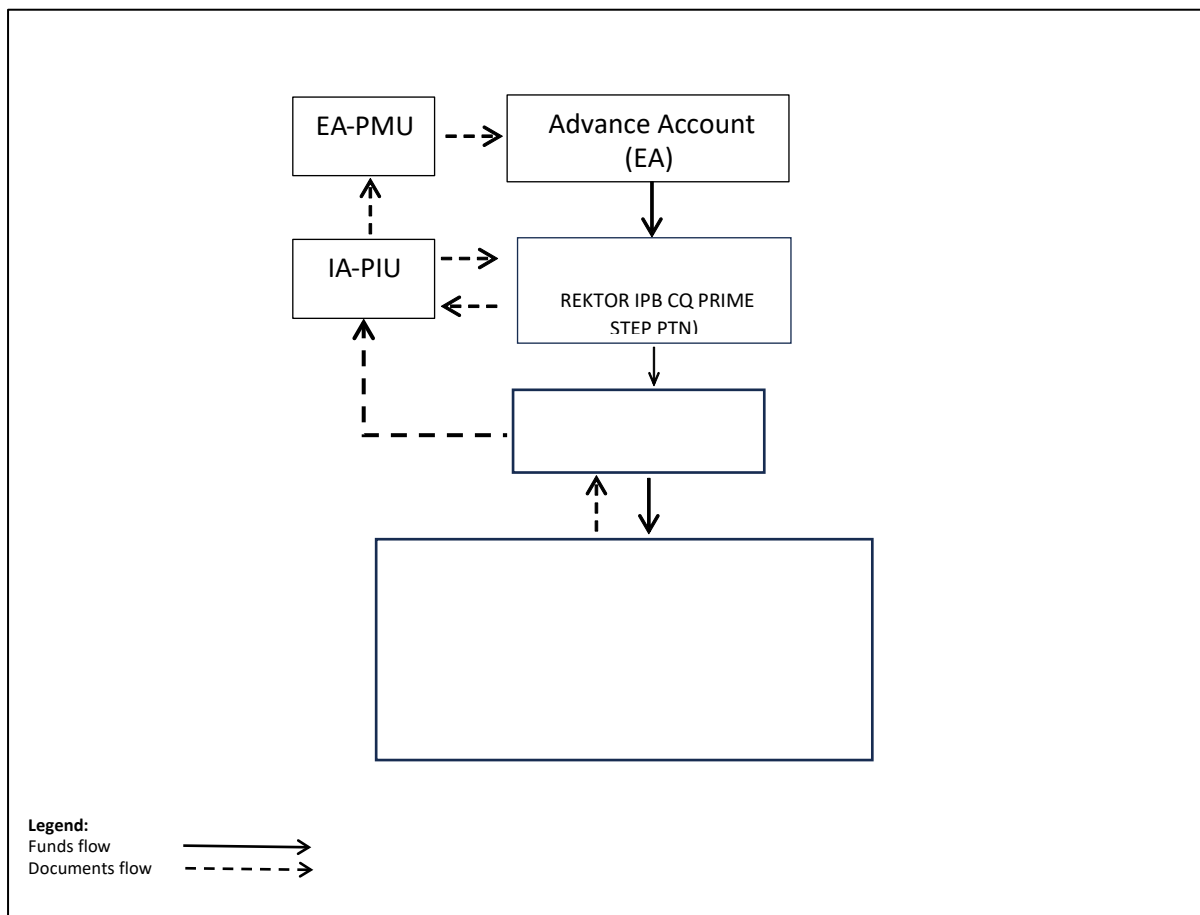
Fund Flow from university account to recipient/beneficiaries for each university as follows:

IPB University:

- (i) Funds received by the university into university account (real account REKTOR IPB CQ PRIME STEP PTN held by the director of finance IPB) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.

- (ii) Transfer of funds from the university account to STP VA (operational) based on on request of payment from PIU-STP IPB (Lembaga Kawasan Sains dan Teknologi).
- (iii) Transfer of funds from the STP VA (operational) to recipients (beneficiaries: staffs, participants of training/workshop/seminar, contractors/suppliers including event organisers or training providers, others except reseacher or start up incubation).

**Figure 4a: Funds Flow from University Account for Recurrent Cost, Training and Capacity Development at IPB University**

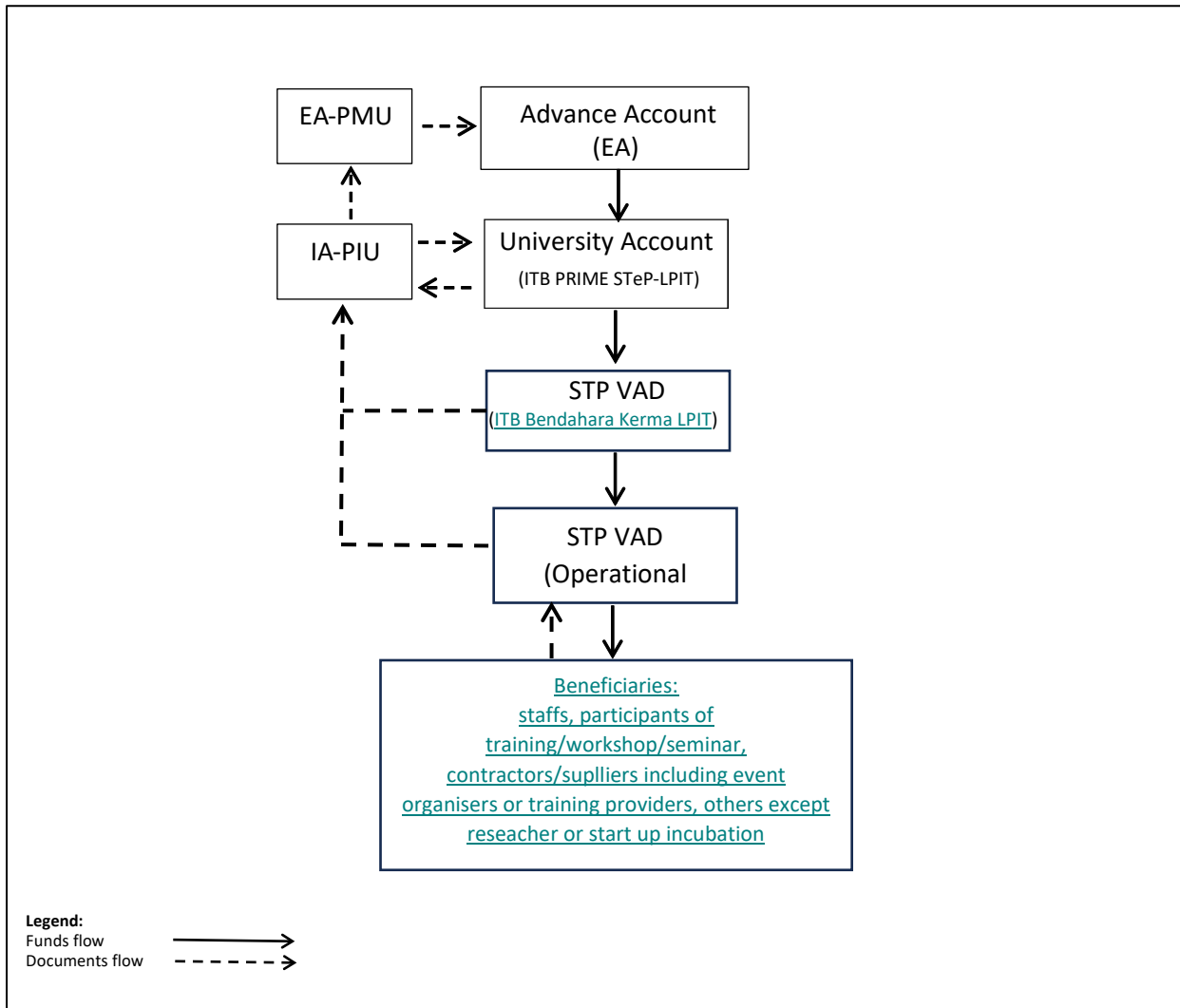


EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park, VA = Virtual Account  
 Source: Asian Development Bank.

**ITB:**

- (i) Funds received by the university into university account (real account ITB PRIME STeP-LPIT held by the director of finance ITB) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account to STP VAD (ITB Bendahara Kerma LPIT) then transferred to STP VAD (operational) based on on request of payment from PIU-STP IPB (Lembaga Kawasan Sains dan Teknologi).
- (iii) Transfer of funds from the STP VAD (operational) to recipients (beneficiaries: staffs, participants of training/workshop/seminar, contractors/suppliers including event organisers or training providers, others except reseacher or start up incubation).

**Figure 4b: Funds Flow from University Account for Recurrent Cost, Training and Capacity Development at ITB**

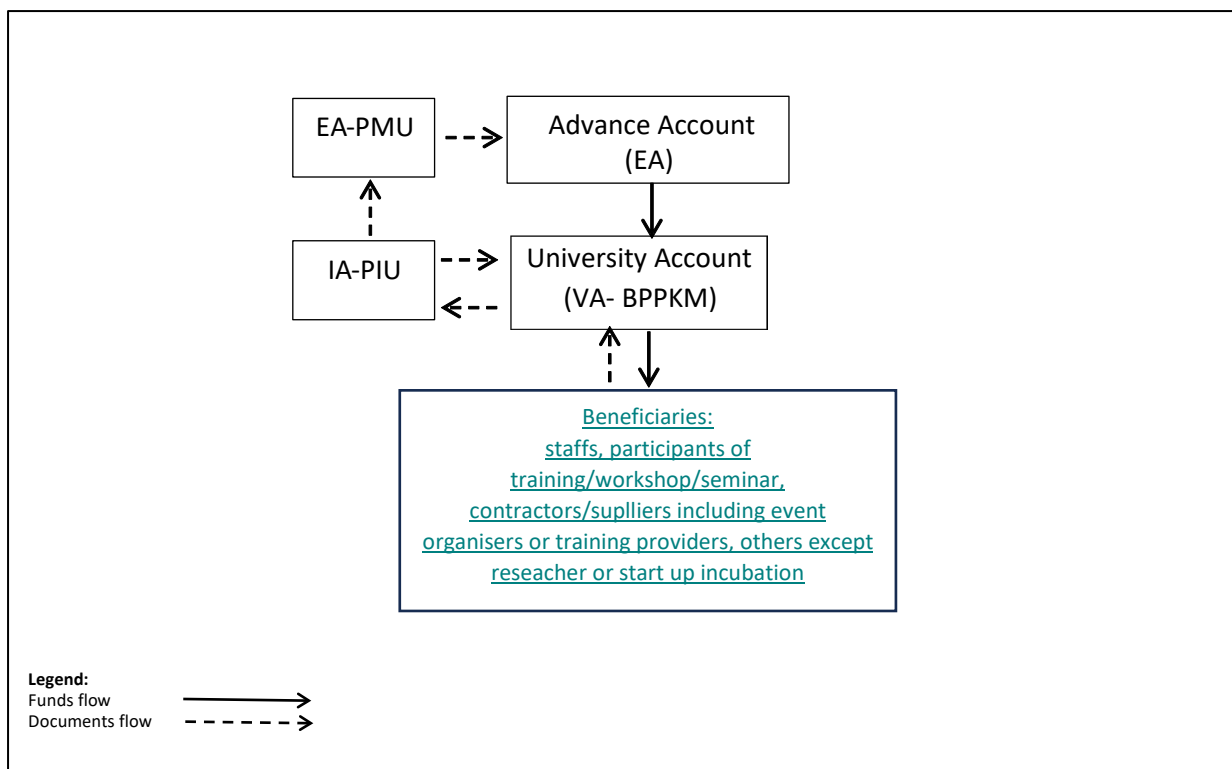


ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park, VAD = Virtual Account Debit  
 Source: Asian Development Bank.

UGM:

- (i) Funds received by the university into university account (virtual account / VA Bantuan Pemerintah Penguatan Kelembagaan dan Manajemen PRIME STEP held by the director of Business Development and Incubation / Pengembangan Usaha dan Inkubasi) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account (VA) to recipients (beneficiaries: staffs, participants of training/workshop/seminar, contractors/suppliers including event organisers or training providers, others except researcher or start up incubation).

**Figure 4c: Funds Flow from University Account for Recurrent Cost, Training and Capacity Development at UGM**



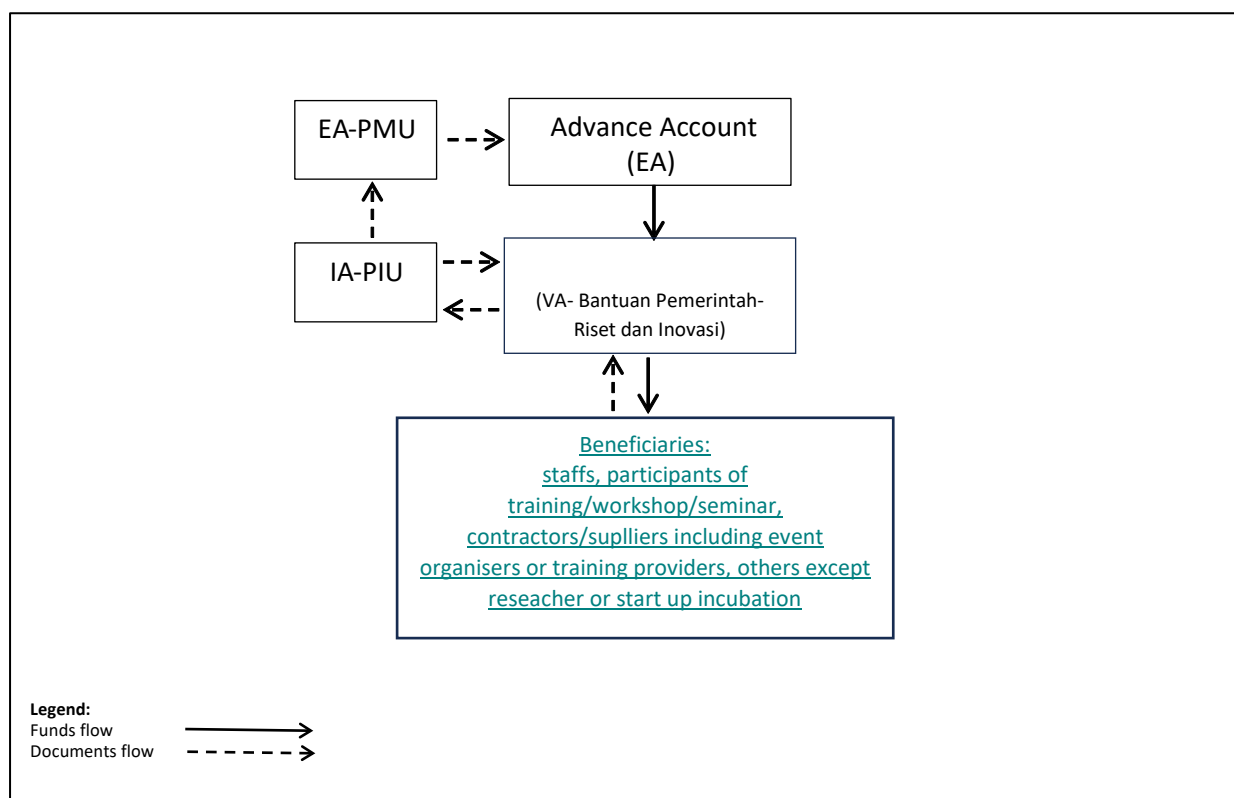
EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park, VA = Virtual Account  
 BPPKM = Bantuan Pemerintah Penguatan Kelembagaan dan Manajemen PRIME STEP  
 Source: Asian Development Bank.

UI:

- (i) Funds received by the university into university account (virtual account / VA Bantuan Pemerintah-Riset dan Inovasi held by the director of finance and accounting UI) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account (VA) to recipients (beneficiaries: staffs, participants of training/workshop/seminar, contractors/suppliers including event organisers or training providers, others except researcher or start up incubation).



**Figure 4d: Funds Flow from University Account for Recurrent Cost, Training and Capacity Development at UI**



EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park, VA = Virtual Account  
 BPPKM = Bantuan Pemerintah Penguatan Kelembagaan dan Manajemen PRIME STEP  
 Source: Asian Development Bank.

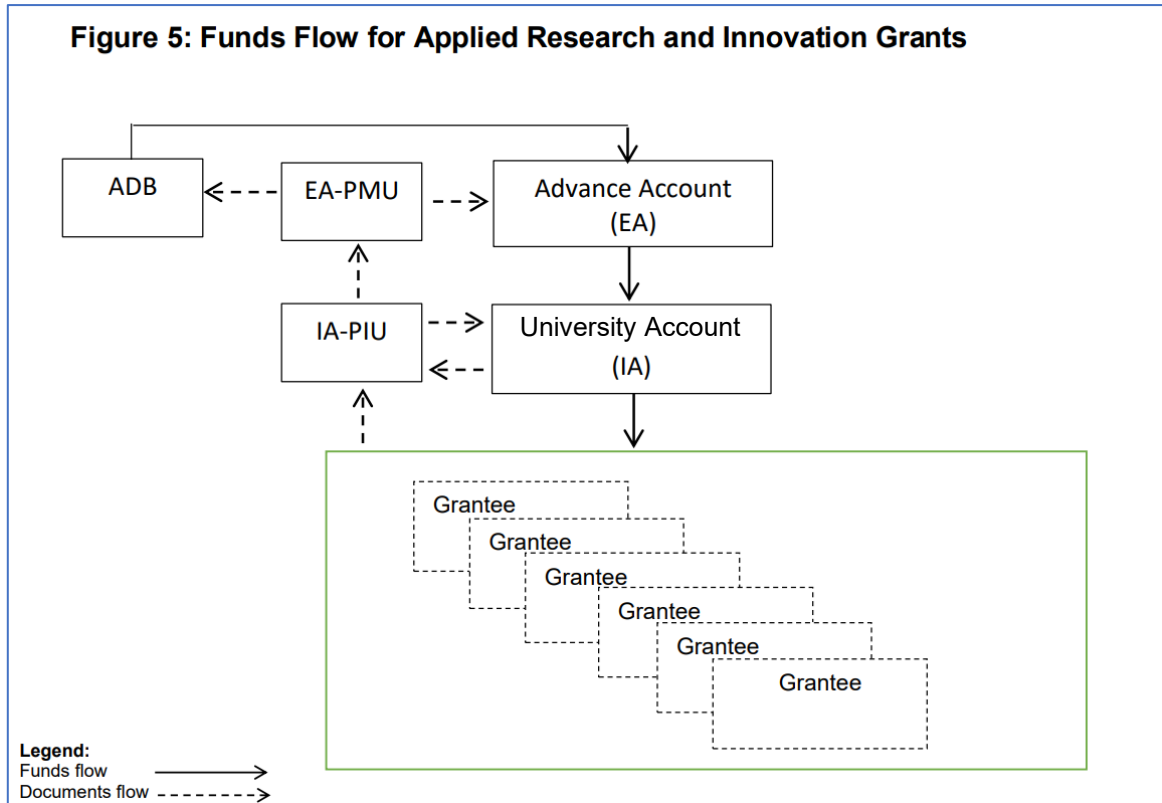
### 5.3. Funds flow for Applied Research & Start Up Incubation Grants

The following procedures will be carried out by the implementing agencies (IAs) and the executing agency (EA) to allocate funds for applied research and start up incubation grants from the advance account to university account:

- (i) IAs (PIUs) submit the annual plan of the applied research and start up incubation grants to EA-PMU in line with the budgeting cycle timeline.
- (ii) IAs (PIUs) submit result of the selection of proposals under the applied research and start up incubation grants annually.
- (iii) IAs (PIUs) submit the request for budget allocation for the applied research and start up incubation grants annually to EA-PMU.
- (iv) EA-PMU issues no objection letter (NOL) confirming the amount awarded is within the budget ceiling for each university and that eligibility requirement and selection criteria are fulfilled.
- (v) EA-PMU and the IAs (PIUs) enter into an agreement through an MOECRT decree.
- (vi) There will be a grant agreement between the university and the grantee authorizing the university to receive the disbursed funds on behalf of grantee, and

with specific clauses requiring the grantee to submit reports (financial and physical progress) for substantiation of expenditures.

- (vii) EA-PMU submit request to the Director General of Budget (DJA) to request budget.
- (viii) EA-PMU submit request to the Director General of Treasury (DJPB), through the local treasury office (KPPN) of MOF, to request funds.
- (ix) Upon compliance of documentation requirements, the flow of funds will be triggered from the Advance Account to the IA-PIU's university account earmarked for applied research and startup incubation program, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (x) Grant contracts will be uploaded into the universities' electronic research and community services management system which is linked to and accessible by the EA-PMU. ADB project officer will be given access to the electronic system for managing research and community services system for verification as and when necessary.
- (xi) Transfer of funds from the advance account to the university account will be made in two tranches: 70% for first tranche, and 30% for second tranche.
- (xii) The universities will set up new virtual accounts or e-wallets for individual research grants. The PIU / university will set these up before the funds are disbursed from the advance account to the university account, in order that the funds are available to the researchers on time.
- (xiii) Funds received by the universities from the advance account will be made available immediately to the grantees' virtual account or e-wallet within 14 banking days and in the eligible amount in line with the grant contract requirements.
- (xiv) Transfer of funds from the university account to grantees' virtual account or e-wallet will be made in two tranches: 70% for first tranche, and 30% for second tranche.
- (xv) The second tranche is transferred when applied research and innovation activities are declared eligible and achieved and when at least 80% of the first tranche has been liquidated, in line with the grant contract requirements. For expediency, the university may also consider financing first the grants from its own funds, and thereafter seek reimbursement from the advance account.
- (xvi) Any unused funds at the end of the year should be returned to the state treasury account.

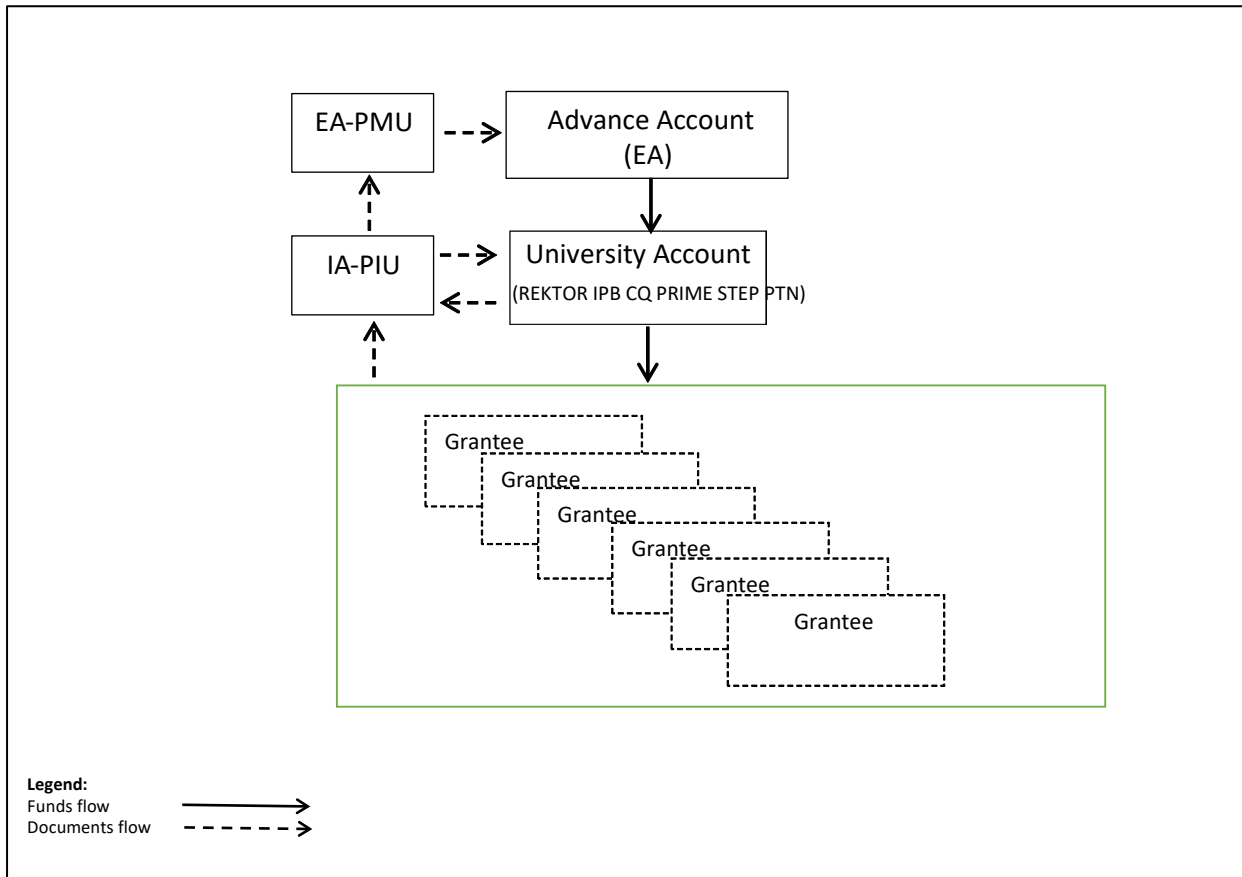


Fund Flow from university account to grantees for each university as follows:

IPB University:

- (i) Funds received by the university into university account (real account REKTOR IPB CQ PRIME STEP PTN held by the director of finance IPB) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account to grantees' virtual account (VA) will be made in two tranches: 70% for first tranche, and 30% for second tranche.
- (iii) Transfer of funds from the university account to grantees' VA will be made based on request of payment from PIU-STP IPB (Lembaga Kawasan Sains dan Teknologi).

**Figure 5a: Funds Flow from University Account for Applied Research and Startup Incubation Grants to Grantees at IPB University**

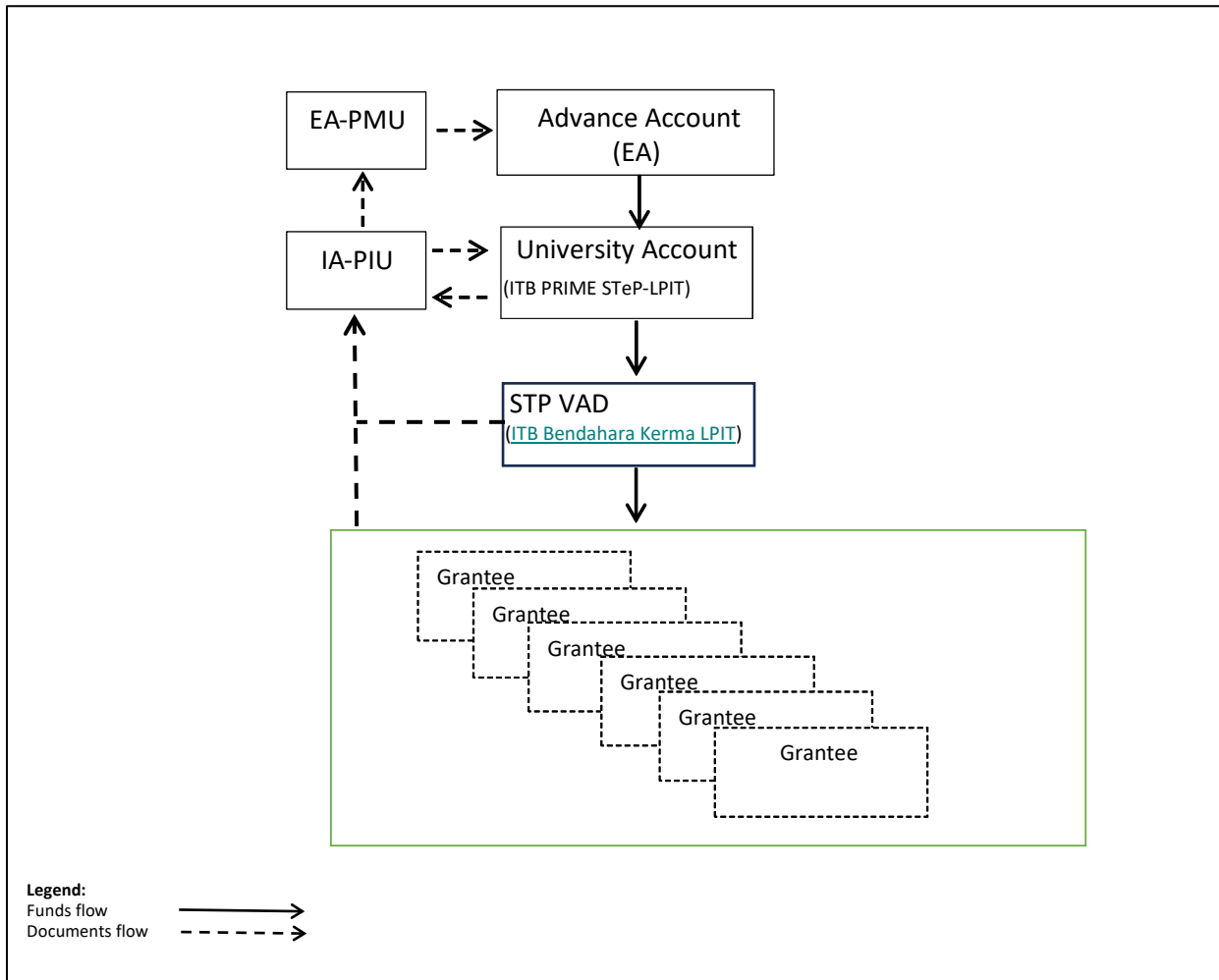


EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park.  
Source: Asian Development Bank.

ITB:

- (i) Funds received by the university into university account (real account ITB PRIME STeP-LPIT held by the director of finance ITB) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account to STP VAD (ITB Bendahara Kerma LPIT) then immediately transferred grantees' virtual account debit (VAD) will be made in two tranches: 70% for first tranche, and 30% for second tranche.
- (iii) Transfer of funds from the university account to grantees' VAD will be made based on request of payment from PIU-STP ITB (Lembaga Pengembangan Ilmu dan Teknologi).

**Figure 5b: Funds Flow from University Account for Applied Research and Startup Incubation Grants to Grantees at ITB**

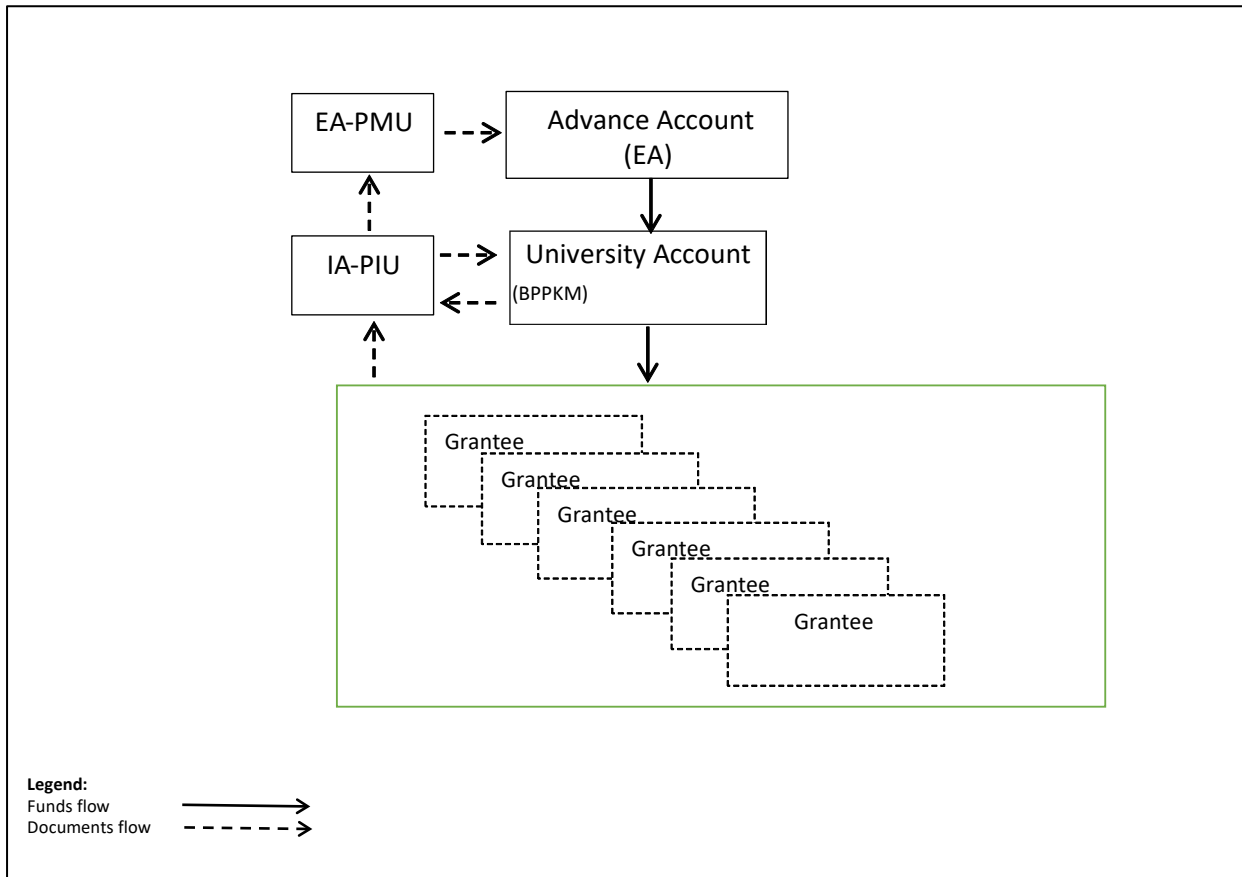


EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park, VAD = Virtual Account Debit  
 Source: Asian Development Bank.

**UGM:**

- (i) Funds received by the university into university account (virtual account / VA Bantuan Pemerintah Penguatan Kelembagaan dan Manajemen PRIME STEP held by the director of Business Development and Incubation / Pengembangan Usaha dan Inkubasi) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account to grantees' virtual account (VA) will be made in two tranches: 70% for first tranche, and 30% for second tranche.
- (iii) Transfer of funds from the university account to grantees' VA will be made based on request of payment from PIU-STP UGM (Direktorat Pengembangan Usaha dan Inkubasi).

**Figure 5c: Funds Flow from University Account for Applied Research and Startup Incubation Grants to Grantees at UGM**

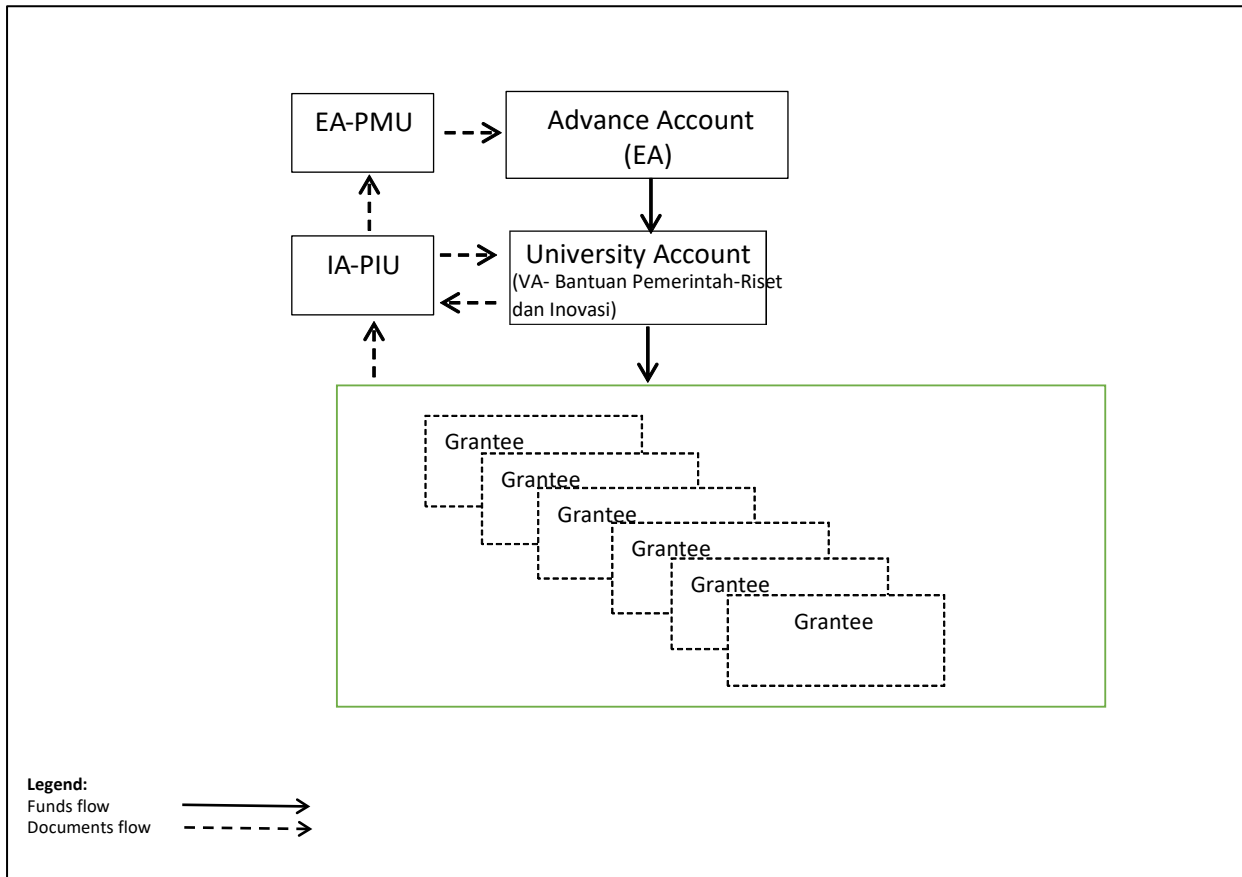


EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park.  
 Source: Asian Development Bank.

UI:

- (i) Funds received by the university into university account (virtual account / VA Bantuan Pemerintah-Riset dan Inovasi held by the director of Administration, Data and Management of Research and Innovation Product UI) from the advance account, equivalent to one full payment following the EA-PMU and IA-PIU agreement.
- (ii) Transfer of funds from the university account (VA) to grantees' virtual account (VA) will be made in two tranches: 70% for first tranche, and 30% for second tranche.
- (iii) Transfer of funds from the university account (VA) to grantees' VA will be made based on request of payment from PIU-STP UI (Direktorat Administrasi, Data dan Pengelolaan Produk Riset dan Inovasi UI).

**Figure 5d: Funds Flow from University Account for Applied Research and Startup Incubation Grants to Grantees at UI**



EA = executing agency, IA = implementing agency, PIU = project implementing unit, PMU = project management unit, STP = science and technology park, VA = Virtual Account  
 Source: Asian Development Bank.

## 5.4. Funds flow for Government funds

### Rupiah Murni (MOECRT/PMU)

The government contribution to project costs for the PMU will be provided in each project year through 'Rupiah Murni' (counterpart budget) allocation in the MOECRT budget. Budgeting and execution will flow through DIPA of the DOM. The PMU will not open a separate bank account for these project funds.

### Non-tax revenue (IAs/PIUs)

Non-tax revenue (PNBP) for the IAs will in effect be matching funding provided by the universities which will be provided from various sources.

The funding will be prepared through each university's regular funding process and will be executed through the university budget.

The PIUs will not be required to open separate bank accounts for these funds for the project.

## **6. WITHDRAWAL APPLICATIONS**

### **6.1. Introduction**

Withdrawal Applications should be prepared in accordance with the ADB's Loan Disbursement Handbook (2022, as amended from time to time)

A Withdrawal Application (WA) is a written request from the borrower to ADB to disburse funds from the borrower's loan account.

Before the submission of the first WA, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the WAs on behalf of the government, together with the authenticated specimen signatures of each authorized person.

The minimum value per WA is ¥29,580,000 equivalent or 1% of the ADB loan amount, whichever is lower, as stipulated in the Loan Disbursement Handbook (2022, as amended from time to time).

Individual payments below such amount should be paid either by the MOECRT and subsequently claimed to ADB through reimbursement, or through the advance fund procedure, unless otherwise accepted by ADB.

The borrower should ensure sufficient category and contract balances before requesting disbursements.

Submission of WAs to ADB will be through ADB's Client Portal for Disbursements (CPD) System.

### **6.2. Advance**

The MOECRT may request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet, setting out the estimated expenditures to be financed through the accounts for the forthcoming 6 months.





### 6.3. Replenishment and liquidation

The statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. There will be no SOE ceiling for the project as the PMU and PIUs have adequate capacity to administer the SOE procedures based on the financial management assessment.

Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

When the PMU prepares a WA to process replenishment or liquidation, it will include any disbursements from the advance account to universities and to recipients on behalf of universities as line items on the SOE sheet.

Process for preparing and submitting WA:

1. Bank Indonesia sends a bank statement to the Directorate General of Treasury (DJPB) through the Directorate of State Cash Management.
2. DJPB through the Directorate of State Cash Management sends the bank statement to the EA as the basis for preparing a WA of the advance account.
3. EA submits WA documents to DJPB through the Directorate of State Cash Management. EA inputs WA into ADB's Client Portal for Disbursement (CPD). The documents to be prepared include:
  - Withdrawal application (see the format on the following pages).
  - A summary/statement of expenditure (SOE) sheet for each cost category, listing all transactions (see the format on the following pages). The SOE sheets should indicate ADB's contract no. [formerly known as procurement contract reference numbers (PCSSs)].
  - an advance account reconciliation statement (see the format on the following pages).
  - the advance account bank statement.
4. DJPB through the Directorate of State Cash Management endorses WA replenishment request through CPD.
5. ADB's Controllers Department (CTLA) (through the Indonesia Resident Mission (IRM) Disbursement Unit) verifies the WA and supporting documents and authorizes the WA to replenish or liquidate the advance account. After receiving CTLA's authorization, ADB's Treasury Department remits the funds to the advance account.
6. A notification of transfer is available through the CPD and Loan Financial Information Services (LFIS) website.

[Withdrawal application format \(Appendix 5A of the ADB Loan Disbursement Handbook 2022\)](#)

# WITHDRAWAL APPLICATION

Asian Development Bank



To: Asian Development Bank (ADB)  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

|                    |                      |                      |                      |
|--------------------|----------------------|----------------------|----------------------|
| ADB Loan/Grant No. | <input type="text"/> | -                    | <input type="text"/> |
| Application No.    | <input type="text"/> | <input type="text"/> | <input type="text"/> |

Attention: Loan Administration Division, Controller's Department (CTLA)

1. Type of Disbursement (indicate an 'x' in the appropriate box)

|   |  |   |  |
|---|--|---|--|
| <input type="checkbox"/> Reimbursement              | <input type="checkbox"/> Direct Payment                | <input type="checkbox"/> Policy-based Lending | <input type="checkbox"/> Results-based Lending |
| <input type="checkbox"/> Initial/Additional Advance | <input type="checkbox"/> Liquidation and Replenishment | <input type="checkbox"/> Liquidation Only     |  |

2. In connection with the Loan or Grant Agreement (Agreement) of the said ADB Loan or Grant number, please pay from the Loan or Grant Account (Account):

|                      |                                 |                               |
|----------------------|---------------------------------|-------------------------------|
| Application Currency | Application Amount (in figures) | Application Amount (in words) |
| <input type="text"/> | <input type="text"/>            | <input type="text"/>          |

3. Payment Instructions (Not required in the case of liquidation only):

A. Payee's Name and Address

Payee's Name & Address

B. Name and Address of Payee's Bank and Account No.

Bank Name

Bank Address

Payee's Account No.  SWIFT Code

C. Correspondent Bank (If payee's bank is not located in the country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid)

Bank 1 Name

Bank 1 Address

Account No. of Payee's Bank  SWIFT Code

Bank 2 Name

Bank 2 Address

Account No. of Bank 1  SWIFT Code

D. Special Payment Instructions and Other References

4. This application consists of [indicate an 'x' in the appropriate box(es)]:

|  |   |
|--|---|
| <input type="checkbox"/> Summary/Statement of Expenditures (SOE) sheets                            | <input type="checkbox"/> Advance Account Reconciliation Statement       |
| <input type="checkbox"/> Estimate of Expenditures sheets   | <input type="checkbox"/> Certificates for Force Account for Works (FAW) |
| <input type="checkbox"/> Copies of supporting documents (e.g., invoices, receipts, etc.)           | <input type="checkbox"/> Summary Sheet for Results-based Lending        |
| <input type="checkbox"/> Others (please specify or attach list as necessary): <input type="text"/> |   |

5. The undersigned certifies and agrees as follows:


- The expenditures were or will be made for the purposes specified in the Agreement and in accordance with its terms and conditions, and the undersigned has not previously withdrawn from the Account or obtained or will obtain any other loan, credit, or grant for the purpose of fully or partially meeting these expenditures.
- The works, goods, or services claimed for reimbursement, liquidation of advance, or direct payment have been procured in accordance with the Agreement and the cost and terms of the purchase thereof are reasonable and in accordance with the relevant contract(s).
- The works, goods, or services were or will be produced in and supplied by a member country of ADB, unless specifically permitted otherwise by the ADB Board of Directors.
- This application is claimed in accordance with ADB's *Loan Disbursement Handbook*, and all documents related to the expenditures covered by this application are available for examination by auditors and by ADB upon request.
- Unless otherwise restricted in the Agreement, if the disbursement pursuant to this application results in the agreed allocation of the corresponding expenditure categories of the Account being exceeded, ADB may process the disbursement and subsequently reallocate to such categories from other categories to the extent required to meet the shortfall.
- The payee is able to receive payments through the international banking system.
- For direct payment, the payee is not on ADB's complete Sanctions List, based on checks done by the borrower, the executing agency, or the implementing agency pursuant to the Project Administration Manual, other project documents and applicable ADB regulations, and in connection with the underlying contracts related to this withdrawal application. A guide on ADB's complete Sanctions List and how to get access to it is available at [www.adb.org/publications/faqs-adb-sanctions](http://www.adb.org/publications/faqs-adb-sanctions).
- For direct payment, the payee is not subject to sanctions by decisions of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

|  |                      |             |                      |
|--|----------------------|-------------|----------------------|
| By (Name of Borrower or Recipient)                 | <input type="text"/> | Date Signed | <input type="text"/> |
| Signature of Authorized Representative(s)          | <input type="text"/> |             | <input type="text"/> |
| Printed Name/Title of Authorized Representative(s) | <input type="text"/> |             | <input type="text"/> |

ADB Form No. ADB-WA

SOE sheet format (Appendix 6A of the ADB Loan Disbursement Handbook 2022)

### SUMMARY/STATEMENT OF EXPENDITURES (SOE) SHEET FOR PROJECT LOANS/GRANTS

Asian Development Bank 

Type of Form [Select (one) appropriate box]:

Summary Sheet <sup>b</sup>

SOE Sheet <sup>c</sup>      Indicate applicable SOE ceiling, if any <sup>d</sup>

ADB Loan/Grant No.  -

Application No.

Category/subcategory No.<sup>a</sup>

Sheet No. \_\_\_\_\_ of \_\_\_\_\_

For the period: From \_\_\_\_\_ to \_\_\_\_\_

Type of Disbursement:  
[Select (one) appropriate box]     Reimbursement     Liquidation of Advance     Direct Payment

| Item No.                                | EA's Contract/PO Record No. | ADB Contract No. | Description of Goods and Services | Name and Address of Supplier | Total Amount of Bill Paid/Payable <sup>d</sup> | ADB's Disbursement Percentage | ADB's Share of Expenditures <sup>e</sup> | For Advance Fund Only      |                                     | Remarks <sup>g</sup> | Date Paid <sup>h</sup> |
|---|-----------------------------|------------------|-----------------------------------|------------------------------|--|-------------------------------|--|----------------------------|-------------------------------------|----------------------|------------------------|
|   |                             |                  |                                   |                              |  |                               |  | Exchange Rate <sup>f</sup> | Amount for Liquidation <sup>f</sup> |                      |                        |
|   |                             |                  |                                   |                              | (i)  | (ii)                          | (iii = i * ii)                           | (iv)                       | (v = iii / iv)                      |                      |                        |
| 1                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 2                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 3                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 4                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 5                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 6                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 7                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 8                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 9                                       |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 10                                      |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 11                                      |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 12                                      |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 13                                      |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 14                                      |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| 15                                      |                             |                  |                                   |                              |  |                               |  |                            |                                     |                      |                        |
| <b>TOTAL <sup>e1</sup></b>              |                             |                  |                                   |                              | -  | <b>TOTAL <sup>e2</sup></b>    |  | -                          |                                     |                      |                        |
| Add: Total from previous sheet (if any) |                             |                  |                                   |                              | -  |                               |  | -                          |                                     |                      |                        |
| Total claim amount                      |                             |                  |                                   |                              | -  |                               |  | -                          |                                     |                      |                        |

**Notes:**

- a. Prepare separate form for each category or subcategory.
- b. Summary Sheet is used for direct payment, or for expenditures for which supporting documents are required to be submitted to ADB (e.g. individual payments exceeding any applicable SOE ceiling).
- c. Not applicable for direct payment procedure.
- d. For all individual payments exceeding any applicable SOE ceiling, prepare a separate summary sheet (Appendix 6A) and attach the required supporting documents.
- e. Ensure that the total claim amount or the aggregate total claim amount of all summary/SOE sheets agrees with the amount indicated in the withdrawal application for (i) reimbursement or direct payment (e1) or (ii) advance fund (e2).
- f. Applicable for liquidation of advance under the advance fund procedure. Indicate the actual foreign exchange rates used for each transaction (see additional notes and illustration on the next page).
- g. Indicate down payment, advance payment, an installment payment number, Interim Payment Certificate number or other relevant information. If the item was claimed in a previous WA but withheld by ADB, indicate the WA no. where the item was previously claimed, and the reason why the item was withheld.
- h. Applicable only for liquidation of advance or reimbursement.

ADB Form No. ADB-SS/SOE

Advance account reconciliation statement format (Appendix 8B of the ADB Loan Disbursement Handbook 2022)

| <b>ADVANCE ACCOUNT RECONCILIATION STATEMENT (AARS)</b> |  |                         |                                |
|--|--|-------------------------|--------------------------------|
| <b>LOAN/GRANT NO.</b>                                  |  |                         |                                |
| WA Number:   | <input type="text"/>   | With (Bank):            | <input type="text"/>           |
| Bank Account Number:                                   | <input type="text"/>   | Bank Address:           | <input type="text"/>           |
| <b>1</b>   | <b>PRESENT OUTSTANDING AMOUNT ADVANCED TO THE ADVANCE ACCOUNT NOT YET RECOVERED</b>  | <b>US\$<sup>a</sup></b> | <b>4,000,000.00</b>            |
| <b>2</b>   | <b>BALANCE of advance account as of <input type="text"/> per bank statement <sup>b</sup></b>   | <b>US\$</b>             | <input type="text"/>           |
| <b>3</b>   | <b>ADD: Amount of eligible expenditures claimed in attached application (WA No. <input type="text"/>)</b>  | <b>US\$</b>             | <input type="text"/>           |
| <b>4</b>   | <b>ADD: Amount claimed in previous applications not yet credited at date of bank statement</b>   | <b>US\$</b>             | <input type="text" value="-"/> |
|  | <b><u>Withdrawal Application No.</u></b>   | <b><u>Amount</u></b>    |                                |
|  | <input type="text"/>   | US\$                    | <input type="text"/>           |
|  | <input type="text"/>   | US\$                    | <input type="text"/>           |
|  | <input type="text"/>   | US\$                    | <input type="text"/>           |
| <b>5</b>   | <b>TOTAL amount withdrawn from the advance account but not yet claimed for replenishment</b>   |                         |                                |
|  | <b>a. Subaccount(s) <sup>c</sup></b>   |                         |                                |
| a.1  | Total balance for subaccount #1 <input type="text"/>   | US\$                    | <input type="text" value="-"/> |
| a.2  | Total balance for subaccount #2 <input type="text"/>   | US\$                    | <input type="text" value="-"/> |
| a.3  | Total balance for subaccount #3 <input type="text"/>   | US\$                    | <input type="text" value="-"/> |
| a.4  | Total balance for subaccount #4 <input type="text"/>   | US\$                    | <input type="text" value="-"/> |
| a.5  | Total balance for subaccount #5 <input type="text"/>   | US\$                    | <input type="text" value="-"/> |
|  | <b>Total subaccount balances accounted for</b>   | <b>US\$</b>             | <input type="text" value="-"/> |
|  | <b>b. Transfer(s) in transit</b>   | <b>US\$</b>             | <input type="text" value="-"/> |
|  | <b>c. Petty cash balance</b>   | <b>US\$</b>             | <input type="text" value="-"/> |
|  | <b>d. Amount of unliquidated expenses<sup>d</sup></b>  | <b>US\$</b>             | <input type="text" value="-"/> |
|  | <b>e. Others [please specify, for example, bank charges, etc.]</b>   | <b>US\$</b>             | <input type="text" value="-"/> |
| <b>6</b>   | <b>TOTAL ADVANCE ACCOUNTED FOR</b>   | <b>US\$</b>             | <input type="text" value="-"/> |
|  | <i>[Explain any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, etc.)]</i>   |                         |                                |
| <b>7</b>   | <b>ADVANCE ACCOUNT TURNOVER RATIO <sup>e</sup></b>   |                         | <b>1.60</b>                    |
| <b>8</b>   | <b>APPROPRIATE LEVEL OF ADVANCE BALANCE (item 1 x item 7 x 6/12)</b>   | <b>US\$</b>             | <b>3,200,000.00</b>            |
| <b>9</b>   | <b>REQUESTED LEVEL OF ADVANCE</b>  | <b>US\$</b>             | <b>4,000,000.00</b>            |
|  | <b>Attach the latest estimate of expenditures (use the form of Appendix 8A) if the amount of item 9 is larger than the lower of item 1 or item 8 (See Loan Disbursement Handbook, Sections 8.13 and 8.18).</b>   |                         |                                |
| <b>Notes:</b>  |  |                         |                                |
| a.   | Indicate the currency of the advance account stipulated in the Project Administration Manual.  |                         |                                |
| b.   | A copy of the relevant page of the corresponding bank statement showing the ending balance of the advance account as of the reconciliation date should be attached.  |                         |                                |
| c.   | List all existing subaccount(s) with corresponding amount advanced. Reconciliation statements and bank statements for subaccount(s) should be retained at the office of the borrower and/or executing agency (EA).   |                         |                                |
| d.   | The unliquidated expenditures should be itemized and reconciled with the records in the borrower/EA's accounting systems. Lists of the unliquidated expenses should be retained by the borrower and/or EA, unless submission thereof is requested by ADB.  |                         |                                |
| e.   | Indicate the advance account turnover ratio as of the month end nearest to the date of the bank statement. Advance account turnover ratio reports are available on the Loan Financial Information Services/Grant Financial Information Services (LFIS/GFIS) website ( <a href="https://fhis.adb.org">https://fhis.adb.org</a> ). |                         |                                |
| f.   | All figures are indicated for illustration purposes only.  |                         |                                |
| ADB Form No. ADB-AF-AARS                               |  |                         |                                |

## 6.4. Direct Payments

Under the direct payment procedure, the project requests the ADB to pay directly to a contractor, consultant, or supplier.

The project may request the ADB to make a direct payment where the amount to be paid is large and would affect the project cash-flow, or where the payment is in a foreign currency that is more difficult to process for the project.

Process for preparing and submitting WA to request a Direct Payment is summarized below:

1. The Contractor/Suppliers submit invoices to the PPK.
2. Upon review, if it is deemed complete and satisfactory, the PPK issues a Payment Request Letter (SPP) and then the Payment Instruction Signing Officer (PPSPM) issues a Payment Order for Direct Payment (SPDPL). PPK inputs the contractor's invoice through the ADB's CPD.
3. The KPA or PPSPM submits the WA Letter of Direct Payment and SPDPL to Special State Treasury Office for Loans and Grants (KPPN KPH). He/she endorses the payment through CPD.
4. Based on WA of Direct Payment, KPPN KPH endorses Direct Payment order and sends it to ADB IRM through CPD. The documents to be prepared and submitted to ADB include:
  - Withdrawal application
  - A summary sheet
  - Supporting documents for the payment (see below\*)
5. The ADB CTLA (through IRM disbursement unit) verifies the withdrawal application and supporting documents and authorizes the WA. After receiving the CTLA's authorization, the ADB Treasury Department remits funds to the Contractor's Account.
6. Notice of Disbursement of loan funds to the 3rd party is accessible in the CPD and LFIS website.
7. Directorate General of Financing and Risk Management through the Directorate of Evaluation, Accounting, and Settlement issues Bookkeeping Orders for Withdrawal of Foreign Loans and Grants (SP4HLN) to KPPN KPH.
8. The KPPN KPH issues SP3 and sends a copy of the SP3 to Proxy of Budget User (KPA) for bookkeeping purposes.
9. The KPPN KPH sends a note of disbursement to the KPA through Payment Instruction Signing Officer.

\* Supporting documents to be submitted for the payment:

| Payment for                                  | Payment Type                    | Required Supporting Documents <sup>a</sup>   |
|--|---------------------------------|--|
| Goods  | One time or installment payment | Supplier's invoice (indicating date, amount, and bank account details)   |
| Services                                     | One time or advance payment     | Consultant's or service provider's invoice or request for payment (indicating amount of advance payment and bank account details)  |
|  | Progress payment                | Consultant's or service provider's invoice (indicating date, amount, and bank account details)   |
| Civil works                                  | One time or advance payment     | Contractor's invoice or request for payment (indicating date, amount, and bank account details)  |
|  | Progress payment                | Contractor's invoice and interim payment certificate <sup>b</sup> or summary of work progress (indicating period covered, amount, and bank account details)                        |
|  | Release of retention money      | Contractor's invoice or request for payment (indicating date, amount, and bank account details) and unconditional bank guarantee (if required under section 4.27 of this handbook) |
| Subloans under Financial Intermediation Loan |                                 | Invoices for subproject, subloan agreement, and/or other documents required in the PAM   |
| Others                                       |                                 | Depending on project-specific requirements provided in the PAM, the contract or other legal documents, or other fiduciary evidence that may be requested by ADB                    |

## 7. BANK ACCOUNTS

### 7.1. Introduction

The following bank accounts will be opened and maintained for the ADB loan funds for the project:

#### Advance Account

The MOF will open an advance account at Bank of Indonesia under the Director General of Treasury, MOF. The advance account will be administered by the PMU under MOECRT, who will be accountable and responsible for proper use of the account.

#### University accounts

Each of the four IAs will maintain a bank account that will be administered by their PIU. The details of these accounts are as follows:

| Entity | University bank accounts  |
|--------|---|
| IPB    | IPB will open a real bank account, at either the State Bank of Indonesia (BNI) or Mandiri Bank. |
| ITB    | ITB will open a real bank account, probably at Mandiri Bank.                                    |
| UGM    | UGM will use a virtual account, with the State Bank of Indonesia (BNI) or Mandiri Bank.         |
| UI     | UI will open a virtual account for the project with the State Bank of Indonesia (BNI)           |

#### Research & Innovation Grant bank accounts

The proposed banking arrangements for Research & Innovation Grants for each of the IAs is shown in the table below:

| Entity | R&I Grant bank accounts   |
|--------|---|
| IPB    | Grantees will use virtual accounts.   |
| ITB    | Each grantee will use a virtual account and will have a virtual account debit card. |
| UGM    | Grantees will use virtual accounts with an e-wallet system                          |
| UI     | Grantees will use virtual accounts.   |



## **7.2. Bank controls**

Controls that apply to the bank accounts include the following:

- All the bank accounts will be in the name of the relevant entity and the project, not individuals.
- The advance account will be in Japanese Yen while the university accounts will be in IDR.
- All bank accounts will be used exclusively for ADB's share of eligible expenditures.
- Two signatures shall be required to sign cheques or authorise bank transfers or e-banking transactions.
- Payments to suppliers/contractors/consultants shall be payable to the name of the supplier, not to non-defined payees e.g., bearer, cash, etc.
- The person who prepares cheques or bank transfers should be different from the person who enters the transactions into the accounting software, to maintain segregation of duties.

If cheques are used:

- All cheques must be accounted for.
- It is not allowed to withdraw cash to pay the supplier.
- If a mistake is made anywhere on a cheque, it should be voided (stamp CANCEL on the cheque's amount) and a new cheque prepared.
- Blank cheques MUST not be signed.
- Only one cheque book must be used at any one time for each bank account.
- Spare cheque books must be kept in a safe.

## **7.3. Bank reconciliations**

Bank reconciliations are an essential element of internal control, to help guarantee the accuracy of accounting data and safeguard funds.

Bank reconciliations must be completed within 5 working days after the end of each month.

The objective is to reconcile the accounts system to the bank statement. All differences must be investigated. Any errors or omissions in the accounts system must be corrected. Only timing differences should remain on the reconciliation. These can be unrepresented cheques or receipts not cleared.

## **8. PETTY CASH**

### **8.1. Introduction**

The PMU and PIUs may each maintain a petty cash float. The maximum fixed amount float/ceiling is IDR 7,000,000 for PMU and IDR 5,000,000 for each PIU.

Petty cash must only be used for minor expenditure incurred on behalf of the project (within the limits set out below).

The types of expenditure suitable for payment from petty cash include small office supplies and repairs and small communication expenses. Petty cash should not be used for training seminars, conferences, and travel.

Each petty cash float will have a nominated custodian, who will be responsible for holding the petty cash float, preparing petty cash vouchers, making approved payments, maintaining a petty cash book, and maintaining all the petty cash vouchers and supporting documents.

To set up a petty cash float, the petty cash custodian must first be nominated, and the amount of the petty cash float decided. The PMU or PIU will process a payment to withdraw cash from the bank account for the petty cash float, supported by details of the petty cash custodian, and the purpose of the petty cash float.

### **8.2. Petty cash controls**

The key internal controls that must be included are:

- The cash should be kept in a safe or secure box to which only the petty cash custodian has access.
- There must be no mixing of petty cash advances and personal money.
- Standard petty cash vouchers will be used for all petty cash payments.
- All petty cash payments must be approved, and there must be segregation of duties between approval of petty cash payments and the petty cash custodian.
- Petty cash will only be reimbursed for expenses where receipts have been obtained, or other acceptable documentation is provided.
- Petty cash advances must be liquidated within one week.
- The petty cash custodian will maintain a petty cash register to record details of all petty cash payments, replenishments, and the petty cash balance.
- The petty cash custodian will continually check the actual petty cash balance to ensure it reconciles with the petty cash register at the close of each day. Differences must be investigated immediately so that no deficit balances exist.
- Another finance staff (not the petty cash custodian) will conduct both month end and spot cash counts of the petty cash float using a standard cash count sheet and reconcile the balance with the petty cash register.

### **8.3. Petty cash payments process**

The maximum amount to be paid from petty cash for each transaction is set at 50% of the petty cash ceiling.

To initiate a petty cash payment, a project staff will prepare a purchase request form. Once this is approved, the staff may purchase the item, using one of two methods:

- The staff will purchase the item using their own money, then submit the approved purchase request form, together with an official receipt any other supporting documents to the petty cash custodian. The petty cash custodian will prepare a petty cash payment voucher. and reimburse the staff. The petty cash custodian and the staff will both sign the voucher.
- The staff may request a petty cash advance, for the estimated cost of the item. The staff and cashier will both sign the advance form. After the purchase has been made, the staff will submit all the documents to the petty cash custodian and return any remaining balance. The petty cash custodian will prepare a petty cash payment voucher. and reimburse the staff. The petty cash custodian and the staff will both sign the voucher.

The cashier will enter the details of petty cash advances and payments into the petty cash register.

#### **8.4. Replenishing petty cash**

Replenishment of petty cash should be requested when the balance in petty cash falls to a predetermined limit (30%) of the original petty cash float.

The petty cash custodian will prepare a request, supported by the petty cash book listing all petty cash payments since the previous replenishment plus the petty cash vouchers and supporting documents.

The PMU or PIU will process the payment to replenish the petty cash and enter details of the petty cash payments into the accounting software.

## 9. PLANNING AND BUDGETING

### 9.1. Life of project budget

#### Cost tables

The life of project budget is shown in the cost tables in the PAM, broken down by:

- cost category
- financier (ADB Loan and Government of Indonesia)
- output
- year

The loan is in the Japanese Yen (JPY) currency. The cost tables in the PAM are also presented in JPY. The project will need to monitor expenditure against budgets in JPY, and also monitor exchange rate movements throughout the project.

#### Cost estimates

The cost tables are based on a cost estimate file, prepared in excel, and available to the project. The cost estimates file also provides a breakdown of the project budget by activity within each output. The cost estimates approximate the project's probable cost. The cost estimates should be updated during project implementation.

#### Government Systems

The life of project budget must comply with budgeting regulation, in accordance with Activity Budget Account (MAK)<sup>1</sup> broken down by:

- 52xxxx Goods and Services Expenditure
- 53xxxx Capital Expenditure
- 526xxx Goods to Be Handed Over to The Community/Local Government<sup>2</sup>

The State budget must be entered into the SAKTI system<sup>3</sup> (Institution Level Financial Application System). Transactions on the SAKTI system are conducted electronically. The SAKTI system consists of:

- a. Administration module.
- b. Budgeting module.
- c. Commitment module.
- d. Treasurer module.
- e. Payment module.
- f. Inventory module.
- g. Fixed Assets module.
- h. Receivable module, and
- i. Accounting and Reporting module.

---

<sup>1</sup> Decree of the Director General of the Treasury Number KEP-211/PB/2018 regarding the Codification of Account Segments on the Standard Chart of Accounts

<sup>2</sup> Account used for government aid

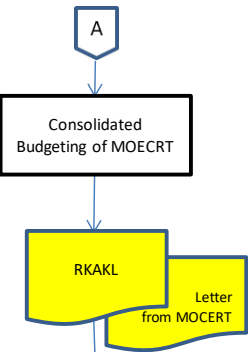
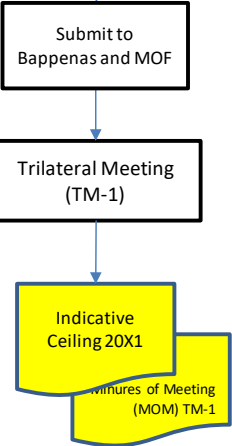
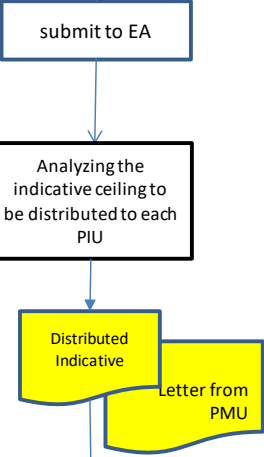
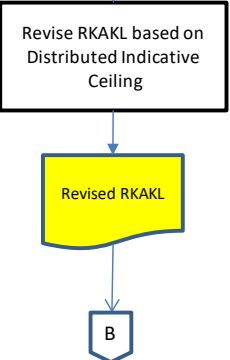
<sup>3</sup> Minister of Finance Regulation number 171 / PMK.05 / 2021 concerning the Implementation of the SAKTI System

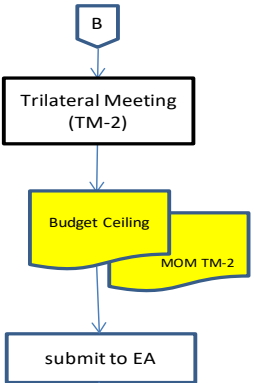
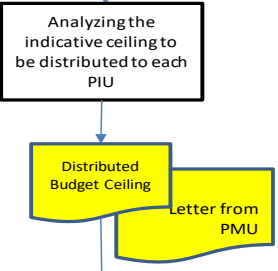
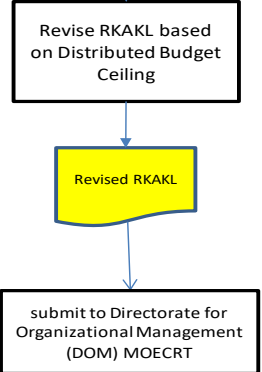
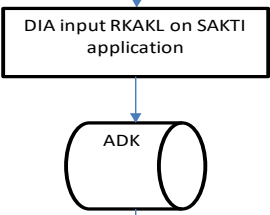
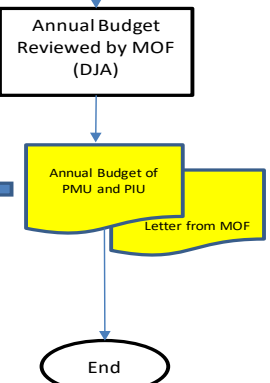
The SAKTI system is integrated with SPAN system (State Treasury and Budget System). For sending data between modules at SAKTI and/or from SAKTI to SPAN, electronic security is carried out. The KPA is responsible for the implementation of SAKTI operationalization in the Working Unit (Satker).

## **9.2. Annual budget**

The project will prepare an annual budget for each financial year (1<sup>st</sup> January – 31<sup>st</sup> December). The budget shall be analysed into quarters, to assist in planning activities, and in monitoring actual expenditure each quarter. When the EA and IAs prepare the annual budget, they should refer to the estimated budget for the year in the cost estimates but should adjust this to produce a realistic plan for the year. They should include all items that will be paid in the year. The annual budget will be prepared following these steps:

| Annual Budgeting Process   | Month                         | Person Responsible | Activities   |
|--|-------------------------------|--------------------|--|
| <pre> graph TD     START([START]) --&gt; AWP20X2[Annual Work Plan (AWP) 20X2]     AWP20X2 --&gt; Verify[Verify AWP from PIU (IA)]     Verify --&gt; Decision{inline with Project Activities in PAM?}     Decision -- No --&gt; AWP20X2     Decision -- Yes --&gt; Consolidate[Consolidate in AWP of the Project]     Consolidate --&gt; AWPProj[AWP of the Project]     AWPProj --&gt; SubmitDGHERT[submit to Planning Department of DGHERT (Bagren Dikti)]     SubmitDGHERT --&gt; BudgetCeiling1[Budget Ceiling of the Project]     BudgetCeiling1 --&gt; BudgetCeiling2[Budget Ceiling of the Project]     BudgetCeiling2 --&gt; SubmitMOCERT[submit to Planning Bureau MOCERT (Roren)]     SubmitMOCERT --&gt; A[A]   </pre> | December 20X0 to January 20X1 | PIU (IA)           | PIUs prepare AWP 20X2 based on PAM<br>PIUs prepare Cost Tab using RKAKL template   |
|  | December 20X0 to January 20X1 | PMU (EA/DOM)       | PMU verify AWP of PIUs:<br>- Cost Tab Calculation<br>- Conformity of activities in AWP to PAM<br><br>PMU prepare consolidated AWP PIUs to be AWP of the Project<br><br>PMU submit AWP of the Project to Planning Department of DGHERT (Bagren Dikti) |
|  | January 20X1                  | Bagren Dikti       | Bagren Dikti give budget ceiling (pagu anggaran) to the Project<br><br>Bagren Dikti submit calculation and Cost Tab (RKAKL) to Planning Bureau MOECRT (Roren)  |

| Annual Budgeting Process  | Month                     | Person Responsible                      | Activities  |
|---|---------------------------|---|---|
|    | January 20X1              | Roren MOCERT                            | Roren submit consolidated budget of MOECRT to Bappenas and MOF for first Trilateral Meeting (TM-1) discussion   |
|   | January 20X1              | MOECRT/EA (PMU)/IA (PIU). Bappenas, MOF | <p>TM-1 discussion to decide Indicative Ceiling for each Project under MOECRT</p> <p>MOM TM-1 to be submitted to EA (DGHERT) to confirm the Indicative Ceiling of the Project</p> |
|  | February 20X1             | PMU (EA/DOM)                            | <p>PMU analyze Indicative Ceiling to distribute the ceiling for each PIU and the PMU</p> <p>PMU submit Distributed Indicative Ceiling to PIU</p>                                  |
|  | February 20X1 to May 20X1 | PIU (IA)                                | PIU must revise Cost Tab RKAKL based on Distributed Indicative Ceiling of the PIU   |

| Annual Budgeting Process  | Month                      | Person Responsible                      | Activities  |
|---|----------------------------|---|---|
|    | June 20X1                  | MOECRT/EA (PMU)/IA (PIU). Bappenas, MOF | Second Trilateral Meeting (TM-2) discussion to decide Budget Ceiling (Pagu Anggaran) for each of Project under MOECRT TM-2 is a continuation of TM-1 MOM TM-1 to be submitted to EA (DGHERT) to confirm the Budget Ceiling of the Project   |
|    | June 20X1                  | PMU (EA/DOM)                            | PMU analyze Budget Ceiling to distribute the ceiling for each PIU and the PMU<br><br>PMU submit Distributed Budget Ceiling to PIU   |
|   | June 20X1 to November 20X1 | PIU (IA)                                | PIU must revise Cost Tab RKAKL based on Distributed Budget Ceiling of the PIU<br><br>PIU submit Revised Cost Tab (RKAKL) supported by documents such as TOR, S-curve, Research Agreement with researcher, Postdoctoral documents, etc. to support calculation of the Cost Tab (RKAKL) |
|  | November 20X1              | DOM (Direktorat Kelembagaan)            | Directorate of Organizational Management must input RKAKL to SAKTI application and submit computer data file (ADK) to DJA   |
|  | November 20X1              | MOECRT/EA (PMU)/IA (PIU), MOF (DJA)     | Directorate General of Budget MOF (DJA) review the Proposed Budget 20X2 (DIPA 20X2)<br><br>PIU/PMU through MOECRT should support the Proposed Budget with needed supporting documents<br><br>Definitive Budget submit to EA (DOM)   |



### **9.3. Budget monitoring**

The PMU and PIUs should continually monitor the expenditure against budget, using monthly and quarterly finance reports.

Annual budget monitoring for both Loan and GOI can be monitored by SAKTI system and SPAN system online for the PMU.

The expenditure performance should be analysed by cost category, financier, output, and activity.

Any material variances should be investigated to understand the root causes, so that the project can take any corrective action to improve the expenditure performance.

The PMU should maintain a central schedule to monitor the actual expenditure and the latest forecast against the original budgets included in the cost estimates.

The PMU should also monitor the total disbursements against the targets included in the Contracts Award and Disbursements (CAD) table in the PAM and also the updated CAD table as agreed during ADB review mission.

### **9.4. Budget reallocations**

The loan agreement includes an allocation table, showing the official amount of the ADB Loan allocated to allocation categories (see section 12 for further details). The project must stay within the amounts included in the allocation table. Reallocation of loan proceeds involves transferring of unutilized amount under a certain loan category(ies) to other category/ies within the total loan amount to accommodate project needs identified during implementation. Proposals to reallocate loan proceeds are based on the categories described in this allocation table and can originate from the borrower or ADB. The proposal is discussed during a project mission and recorded in a memorandum of understanding or aide memoire. Thereafter, the borrower either (i) sends a formal request to ADB outlining the proposal and justification prior to ADB's approval, or (ii) if request is initiated by ADB, issues a written concurrence on the proposed reallocation prior to ADB's approval.

If the amount of the loan allocated to a category appears to be insufficient to finance all agreed expenditures in that category, the ADB may, by notice to the borrower,

- re-allocate to the category to meet the estimated shortfall from amounts of the loan that have been allocated to another category but, in the opinion of ADB, are not required to meet other expenditures, or
- if such re-allocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures.

If the amount of the loan allocated to a category appears to exceed all agreed expenditures in that category, the ADB may, by notice to the borrower, reallocate the excess amount to another category.

## **10. RECEIPTS**

### **10.1. Introduction**

The EA and IAs must maintain proper control over receipts of funds, and money owed to the project.

The EA / IAs are responsible for ensuring that official receipts are issued for all monies received, and that monies received are safeguarded and deposited in a timely manner to the bank account.

### **10.2. Receipt of funds from ADB**

When the bank has confirmed that funds have been received into the relevant bank account, then:

- The relevant finance staff will prepare a Receipt Voucher to record the transaction and attach a credit advice or copy of the bank statement as a supporting document, and
- The withdrawal application register will be updated
- A confirmation email will be sent to the ADB that the funds were received

### **10.3. Refunds from staff advances**

When staff spend less on an activity than the advance they received, then:

- The staff will return any unspent balance to the finance unit within 10 days of the end of the activity.
- The finance unit will prepare a receipt voucher and deposit the money to the bank account.
- The advances register will be updated.

### **10.4. Bank interest and other receipts**

Bank interest received may be recorded using a journal voucher for posting into the accounting software.

Every year within 10 days after the end of year (31 December), finance staff calculate the total amount of bank interest received in the year, deduct any bank administration expenses, and then transfer this amount to the State Account.

For any other miscellaneous receipts, the finance unit will prepare a receipt voucher for the funds received and will deposit any monies into the bank account.

## 11. PAYMENTS/DISBURSEMENTS

### 11.1. Payments by PMU

Payments made by the PMU will follow this process:

| Step                                | Description   |
|-------------------------------------|---|
| 1. Invoice received                 | The Contractor/Supplier submit invoices to the PMU and/or PIU commitment-making officer (PPK).  |
| 2. Review and prepare payment order | Upon review by finance unit, if invoices are deemed complete and satisfactory, the PPK issues a Payment Request (SPP) which is then the Payment Instruction Signing Officer (PPSPM) issues Payment Order (SPM).   |
| 3. Submit to State Treasury         | Proxy of Budget User (KPA) or Payment Instruction Signing Officer (PPSPM) issues a SPM and submits to the State Treasury Service Office (KPPN) by enclosing the required documents. He/she endorses the payment.  |
| 4. Treasury review and approve      | KPPN conducts a verification on SPM-Reksus.<br>If verified and complete, he/she issues a Disbursement Order Letter (SP2D-Reksus/remittance order).<br>He/she approves payment.  |
| 5. Payment                          | With SP2D-Reksus the KPPN transfer the funds from Advance Account to the Contractor's Account through an operational bank.<br>Information of payment whether success or fail, SP2D number, SP2D date, SPM number, name of contractor/supplier/recipient, and bank account of recipient can be monitored on OMSPAN |
| 6. Post to accounting software      | Finance staff record this payment to accounting software (the OMSPAN system links to SAKTI)   |

Direct payments will be processed following the procedure explained in the Withdrawal Application section of the manual.

### 11.2. Payments by PIUs

As explained in section 5.2, the PIU will need to submit information to the PMU to request that funds be disbursed from the advance account to the university account.

The funds disbursed to the university accounts will be: (i) made available immediately within 14 days to the grantees' virtual account (for research and innovation grants) following grant contract requirements; (ii) used to pay recipients (i.e., capacity development program scholars or awardees) within 30 working days from receipt by the university; and (iii) used to pay suppliers/contractors within 5 working days from receipt of complete and verified invoice.

Each PIU will follow the procedures of their university for processing payments. The processing steps will be different from the steps followed by the PMU and may vary across universities. Some of the main points for each PIU are as follows:

## IPB

The requests for fund transfers and payments are prepared by the financial management unit through online system. All supporting documents are uploaded to the online system, among others: Term of Reference (TOR), Cost Budget Plan (RAB), and Disbursement Plan (RPD). The uploaded documents to be verified by online in the Directorate of Finance and Accounting (DKA) at 3 level: maker, approver, and releaser. The Vice Rector for Finance, Planning and Infrastructure will approve it using the cash management system of the Bank.

Online transactions are produced by finance system and integrated with the cash management system of their Bank. At every level, users have different access code appropriate with security level.

The invoice processing strictly follows the regulations and procedures set by the Directorate of Finance and Accounting (DKA). Payments are made against invoices and other supporting documents that have been verified and submitted for payments.

## ITB

The requests for fund transfers and payments are prepared by the transaction accountant of the treasury section and reviewed by the Head of the Financial Bureau. The Vice Rector for Finance, Planning and Infrastructure will approve it using the cash management system of the Bank.

The officials authorized for signing bank account of ITB and who has authorization to possess his own password over the bank account are Director of Resources as Kuasa Pengguna Anggaran (KPA) and Expenditure Treasurer (Bendahara Pengeluaran). All these people will be the duly authorized signatories to all project bank transactions also. Online transactions are not allowed at ITB. It requires eight levels of approvals to release the transactions.

The invoice processing strictly follows the regulations and procedures. Payments are made against invoices and other supporting documents that have been verified and submitted for payments.

## UGM

The requests for fund transfers and payments are prepared by the transaction accountant of the treasury section and reviewed by the Head of the Financial Bureau. The Vice Rector for Finance, Planning and Infrastructure will approve it using the cash management system of the Bank.

The officials authorized for signing bank account of UGM and who has authorization to possess his own password over the bank account are Director of UGM STP as Kuasa Pengguna Anggaran (KPA) and Expenditure Treasurer (Bendahara Pengeluaran) in Directorate of Finance. All these people will be the duly authorized signatories to all project bank transactions also. Online transactions are produced by finance system in [<https://finance.simaster.ugm.ac.id/>] and integrated with the cash management system of their Bank. It requires eight levels of approvals to release the transactions.

## UI

Invoice processing procedures follow the rules and procedures set by the Directorate of Finance and Accounting (DKA).

Payments are made against invoices and other supporting documents that have been verified and submitted for payments.

### **11.3. Payments by Applied Research & Start Up Incubation Grants**

University level structure, systems, and procedures for cooperation fund (domestic and foreign), payment, reporting, and accountability mechanisms (fiduciary and internal controls), will be used for Research & Innovation Grants.

However, universities will **not** be allowed to use output-based funding for the grants (under output-based funding systems, the researchers are entitled to receive the full amount of the grant if they achieve the agreed outputs/results and are not required to provide financial reports / transaction lists or to return any unused funds). For PRIME STeP, the payments for each grant will need to be documented and reported, and any unused funds returned.

Some of the main points of the processes for each of the IAs are as follows:

#### IPB

Researchers will make payments using a virtual account. They will use portals to record the payments they make (the Human Resources portal for lecturers or the SIMPEG portal for other staff).

#### ITB

Payments above 200 million Rupiah will be made by the PIU. Payments below this threshold will be made by the researcher, using a Virtual Account Debit Card.

#### UGM

Research grant payments will be made through a virtual account or e-wallet system. The maximum cash withdrawal is 2 million Rupiah; all payments above this limit must be made by bank transfer using an app.

#### UI

Researchers can make payments up to 25 million Rupiah. Larger payments will be made centrally (through the university procurement/logistics office).

## 12. COST AND ALLOCATION CATEGORIES

### 12.1. Cost categories and Allocation categories

#### Cost categories

Project expenditures are grouped into cost categories, as shown in the cost tables in the PAM. Expenditure must be booked against the correct cost category, and financial reports will show a breakdown of the expenditure by each cost category.

#### Allocation categories

The allocation table in the loan agreement shows the amount of the ADB loan funds allocated against each allocation category. There are fewer allocation categories than cost categories, as some cost categories are combined into one allocation category, as shown in the table below.

Table of cost categories and allocation categories

| Cost category  | Allocation category as per Loan Agreement  |
|--|--|
| Equipment & Furniture                                | 1. Civil Works, Goods, Equipment, Consultants, Training and Recurrent Costs                                  |
| Civil Works  |  |
| Software, licenses, and certifications               |  |
| Consulting Services                                  |  |
| Training & Capacity Development                      |  |
| Initial Equipment Operation and Maintenance Services |  |
| Project Administration - EA PMC                      |  |
| Project Administration - EA PMU                      |  |
| Project Administration - IA                          |  |
| Applied Research & Startup Incubation                | 2. Research and Development and Innovation Grants  |
| Contingencies  | <i>included in category no. 1 above</i>  |
| Financing charges                                    | <i>Not included under an allocation category as these are funded by the Government, not by the ADB Loan.</i> |

When expenditure is documented on the ADB Loan Financial Information System (LFIS) it is charged to the appropriate allocation category.

The expenditure against each allocation category must not exceed the total funding available for each category shown in the loan agreement allocation table without prior agreement from the ADB.

Use of contingencies allocated to each university during project implementation will be subject to approval by the PMU and Bappenas.

## 12.2. Cost category descriptions

The table below provides a summarised description of the costs categories. The PMU and PIUs should refer to the Cost Estimates file for further details and refer to this to ensure that expenses are charged to the correct category.

| Cost category  | Notes   |
|--|---|
| Equipment & Furniture                                | All costs for this category will be against goods packages included in the procurement plan. See the procurement & contract management section for more details.  |
| Civil Works  | All costs for this category will be against works packages included in the procurement plan. See the procurement & contract management section for more details.  |
| Consulting Services                                  | All costs for this category will be against consulting services packages included in the procurement plan. See the procurement & contract management section for more details.  |
| Software, licenses, and certifications               | The project may refer to the Cost Estimates file for further details on these costs.  |
| Initial Equipment Operation and Maintenance Services |   |
| Project Administration - EA PMC                      | These categories will be used by EA/PMU.  |
| Project Administration - EA PMU                      |   |
| Project Administration - IA                          | This category will be used by the IAs/PIUs.   |
| Training & Capacity Development                      | See the Capacity Development section for details of this category.  |
| Applied Research & Startup Incubation                | See the Research & Innovation Grants section for details of this category.  |
| Contingencies  | Price contingencies and physical contingencies were calculated as part of the project cost estimates. No costs will be recorded against these. During project implementation, the project will request to reallocate the contingencies budget to other cost categories as required. |
| Financing charges                                    | This is for interest and commitment charges for the loan during implementation. This category will be fully funded by the Government.   |

### 12.3. ADB and Government funding

The costs for each category will be funded by the ADB Loan and the Government of Indonesia according to the percentages below (from the Detailed Cost Estimates by Financier table in the PAM):

| Cost category  | % Funded by ADB loan | % Funded by Government | Notes   |
|--|----------------------|------------------------|---|
| Equipment & Furniture                                | 98.9%                | 1.1%                   | Government funds will fully fund some specific activities/costs for those cost categories which show a % funded by the Government.                  |
| Civil Works  | 95.0%                | 5.0%                   |   |
| Software, licenses, and certifications               | 99.2%                | 0.8%                   |   |
| Consulting Services                                  | 100.0%               | -                      |   |
| Training & Capacity Development                      | 100.0%               | -                      | The Allocation and Withdrawal of Loan Proceeds Table per Loan Agreement shows the percentage of withdrawal from the loan is 100% for each category. |
| Initial Equipment Operation and Maintenance Services | 37.3%                | 62.7%                  |   |
| Project Administration - EA PMC                      | 100.0%               | -                      |   |
| Project Administration - EA PMU                      | 71.4%                | 28.6%                  | This means that each invoice will be paid completely either from ADB Loan funds, or from Government funds.  |
| Project Administration - IA                          | 8.6%                 | 91.4%                  |   |
| Applied Research & Startup Incubation                | 88.2%                | 11.8%                  | The project should refer to the Cost Estimates file to identify the activities/costs to be funded by the Government.                                |
| Contingencies  | 94.5%                | 5.5%                   |   |
| Financing charges                                    | -                    | 100.0%                 |   |

### 12.4. Taxes

The Government will provide tax exemptions (estimated at ¥2,328.50 million) for the project.

The PMU will work with the PIUs to ensure that tax exemptions are received.

Proof of tax exemption will be shown on the documents from contractors or suppliers. Tax Invoice of Value Added Tax will be stamped "PPN Tidak Dipungut" ("not collected") and Income Tax Payment Slip (SSP) will be stamped "PPH Ditanggung Pemerintah" ("borne by the government").



## **13. PROCUREMENT AND CONTRACT MANAGEMENT**

### **13.1. Procurement responsibilities**

Procurement of works, goods, non-consulting services and consulting services will be undertaken in accordance with ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

The MOECRT will be responsible for procurement and a bid evaluation committee will be formed at the MOECRT level to evaluate bid proposals.

The PMU procurement unit will be led by a procurement coordinator and will manage the procurement process for all project procurement packages, including those for IAs. This will include:

- Prepare bid documents in consultation with PIUs for goods, works, and services
- Execute bidding based on ADB Procurement Policy and Regulations and evaluation of bid proposals at MOECRT Level
- Facilitate all relevant approvals from MOECRT, BAPPENAS, MOF, and ADB in accordance with their respective policies and agreements in project documents, including 'no objection' for procurement of works, goods, and consulting services

Procurement contracts will be signed by the relevant authority at the MOECRT/EA.

Payments for procurement contracts will be made centrally, either from the Advance Account managed by the PMU, or by the Direct Payment method by the ADB.

IAs will have some procurement and contract management responsibilities including:

- Provide tenderable specifications to PMU for procurement of goods, services, and works
- Monitor contracts execution of vendors, consultants, and contractor/s
- Closely monitor status of each contract and ensure timely completion of goods, services, and works
- Verify and approve any proposed changes in goods, services and works.
- Support consultants, suppliers, and contractors to obtain necessary permits from the relevant agencies (e.g., local permits)
- Lead consultant performance evaluation upon contract completion

### **13.2. Procurement plan**

All civil works, good, non-consulting and consulting procurement packages are included in the project procurement plan.

Each procurement package will be either prior review (requires no objection from the ADB before the procurement can be completed and the contract signed) or post review, as shown on the procurement plan.

The initial procurement plan included in the PAM is for the first 18 months of the project. The procurement plan will be updated every year.

The annual budget should be consistent with the latest procurement plan.

### 13.3. Contract register

After the procurement process is completed, a contract is signed with the contractor, supplier, or consultant. The contract will be kept in a file in the PMU procurement office, with a copy also provided to the PMU finance office.

The PMU will maintain a contract register, to record details of all procurement contracts. The register will include an individual sheet for each contract, containing detailed information, and a summary sheet that includes the main information for all the contracts.

The contracts register is used for several purposes, including:

- Control purposes – for example, to monitor the payments against each contract, to check that there is sufficient balance remaining against a contract before making a payment, and to ensure that the accounting system is correct
- Planning purposes – for example, so that contract commitments can be included in annual budgets and cash forecasts
- Contract management purposes – for example, to identify contracts that are about to close and need to be completed or extended.
- Audit purposes – provides payment lists for each contract that internal and external auditors can refer to when conducting their audit work

#### Individual contact sheets

Individual contract sheets will include details for each contract of:

- Name of contractor/supplier/consultant
- Contract number
- Contract description
- The EA/IA that the contract is for
- Contract start date and end date
- Value of contract signed
- List of the payments made to the contractor/supplier/consultant
- Status of the contract (ongoing, completed, closed)
- Details of any bid security / performance security (see sections below for further explanation)
- Details of mobilisation payments and recoveries (see sections below for further explanations)
- Details of retentions withheld and returned (see sections below for further explanations)

#### Summary sheets

The summary sheet will be updated automatically from the individual sheets and will show the main information for each contract:

- Name of contractor/supplier/consultant
- Contract number
- Contract description
- The EA/IA that the contract is for
- Contract start date and end date
- Value of contract signed
- Value of payments made to the contractor/supplier/consultant
- Status of the contract (ongoing, completed, closed)
- Commitments (the remaining contract balance to be paid for ongoing contracts)

Contracts will be grouped under these procurement categories – goods, works, non-consulting services and consulting services. The summary sheet will show total amounts for each procurement category.

Reconciliation with accounting software.

The contracts register should be reconciled to the accounting software at the end of each month, to check that the total payments recorded on the contracts register match the cumulative expenditure in the accounting software for the categories as shown in the table below:

| Cost category           | Procurement category |
|-------------------------|----------------------|
| Equipment and furniture | Goods                |
| Civil works             | Works                |
| Consulting services     | Consulting services  |

**13.4. Bid security and performance security deposits**

Bid security deposit

At the bidding stage of contracting, the PMU may request bidders to deposit a bid bond (also called a bid security or bid guarantee deposit) at the time of submission of their bids, to help ensure that only genuine bidders participate in the contract bidding process, and to obtain a commitment from the bidders to the terms of their bid.

The bid security may be paid in cash (which must be promptly receipted and banked), by cheque, or by bank guarantee to the EA and must be recorded in the contract register with the following details:

- Details of the payment received.
- Bidders Name.
- Form of security such as cash, manager's cheque, security bond, or bank guarantee.
- Name of the issuing bank and their reference.
- Amount of security.
- Date of cheque or guarantee.
- Validity date.
- Currency of security.
- Date of receipt/date of liquidation.

Cash bid securities must be deposited into the PMU (Advance) bank account and be recorded in the General Ledger. All other forms of security must be kept in a fireproof secure location, to be returned to the bidders after a successful bidder has been selected.

A contractor who withdraws his/her bid during the validity period, and/or refuses to accept the award of a contract when and if awarded, will forfeit their bid bond. The contractor may also be excluded from bidding for other contracts supported by the Project for a period of time.

Bid securities must be returned to each bidder, after the contract is signed with the successful bidder. The return/payment of bid securities must be recorded in the Contract Register, noting the following:

- Payment Date and payment voucher No.
- Interest on Late Payments (if applicable).
- Penalty Payments (by contractors).

### Performance Security

A performance security (or performance bond) may be obtained from the contractor when the contract is signed to help ensure that the contractor commences and completes the work under the terms of the contract. The size of this performance security bond will be agreed upon during contract negotiations.

This performance security bond will be returned as stipulated in the General Condition of the Contract upon the satisfactory completion of the contract.

The performance security may be paid by bank guarantee and must be recorded in the contract register. The following details must be recorded:

- Contractor/Suppliers Name.
- Form of security - i.e., security bond, bank guarantee.
- Name of the issuing bank and their reference.
- Amount of security.
- Date of cheque or guarantee.
- Validity date.

The bank guarantee security must be kept securely. A performance security must be returned to the contractor after the satisfactory completion of the contract. For cash performance securities, the EA/IA must prepare a PV and post the payment to the General Ledger against the Performance Securities ledger account. The return of performance securities must be recorded in the Contract Register showing the payment date and PV number.

## **13.5. Contract payments**

Payments to contractors, suppliers and consultants will follow the conditions in the signed contract. All payments will be made by the PMU, or by the direct payment method through the ADB. Before a payment is processed, the finance unit will check that the payment complies with contract and will check the relevant register to confirm that there is sufficient balance remaining on the contract.

### Mobilisation payments

For consultant services and civil works, a mobilization payment may be made to the contractor to provide funds for initial materials and investment. Mobilization payments are advance payments of contract money and must be recovered from future payments to the contractor.

The mobilization payment may be recovered as follows:

- The total amount advanced is deducted from the first contract payment to the Contractor; or
- Proportional amounts of the total advance are deducted from future payments to the contractor as determined in the contract.

Mobilization payments must be recovered in full before the final payments under the contract are made to the contractor.

Mobilization payments and recoveries must be recorded in the Contracts Register

## **13.6. Retentions**

Contractors may be required to guarantee their work for a period of time (the defect liability period determined in the contract), starting from the date of completion of the work and agree to make good, at their own expense, any defect that appears during that time due to quality of materials or workmanship.

Retention money may be deducted from each payment made to a contractor. The arrangement will be noted in the contract and can either be deducted only on the final contract payment or on each progress payment in proportion to the relative size of each progress payment.

Retention is intended to act as a guarantee for the satisfactory completion of services or goods provided. Retention money is held for the period stipulated in the contract after which it can be paid to the contractor.

Retention money withheld and returned to the contractor is recorded in the contract register.

## 14. APPLIED RESEARCH & START UP INCUBATION GRANTS

### 14.1. Introduction

#### Total budget and types of Applied Research and Start Up Incubation Grant

The budget for Research & Innovation Development is JPY 6,564.44 million (JPY 5,790.71 million from the ADB Loan and JPY 774.73 million from the Government of Indonesia).

This will provide JPY 4,283.18 million for applied research grant to four project STPs' researchers to conduct research in focused areas in collaboration with private sectors, communities, or reputable international research institutions.

- 167 innovation products and solutions will be developed.
- 18 strategic R&D projects involving community with strong social inclusion, gender mainstreaming, or climate focus will be carried out while
- another 21 joint research projects with reputable international institutions will be done.

This also includes JPY 1,507.10 million for startup incubation grants to students, alumni, and faculty members from the project universities to incubate technology startups. 3,750 students will attend entrepreneurship training course while 470 startup teams will be incubated under the R&D grant.

The eligible costs under the grants for each university will follow the procedures / guidelines that have been set and approved by each of the universities.

#### Applied Research and Start Up Incubation Grant Administration

The call for proposals, review, selection, and award of both applied research and startup incubation grants will adhere to a grant selection and award criteria, complement existing MOECRT competitive funds, and will be finetuned for administrative efficiency during implementation.

Work mechanism and business process of applied research and startup incubation grants is as follows:

- The selection process will be conducted at the implementing agency [Science & Technology Park (STP)] level
- PIU-STPs will evaluate, select, and award grant to recipients based on agreed operation guidelines (Appendix 2 of the PAM) and will submit a consolidated result of awarded grantees to the PMU together with the selected proposals (the proposals can be submitted through the electronic system for managing research and community services used by the universities which is linked to MOECRT).
- Suitable STP level grants mechanism will have to be identified and adopted.
- The executing agency will review the list submitted by the PIU-STPs and will issue a No Objection Letter (NOL) confirming the amount awarded is within the budget ceiling for each university and that eligibility requirement and selection criteria are fulfilled.
- The NOL will trigger the signing of an agreement between the executing agency and the implementing agencies (STP universities), allowing the STP universities through the PIUs to sign the grant contracts with the selected grantees. The NOL and the agreement between the executing agency and implementing agencies will also trigger the transfer of research grants to the university account at the university level intended for the project.

- All signed grant contracts between the implementing agencies and grantees will be managed and uploaded into the university's electronic system for managing research and community services which is linked by the MOECRT.
- An established mechanism and payment modality/ies will be utilized to manage the disbursement and monitoring on the use of fund (e.g., Special account, Transaction account, e-wallet, virtual account). Payment arrangements for research and innovation grants are described in section 11.3 of this manual.
- University level structure, systems, and procedures for cooperation fund (domestic and foreign), payment, reporting, and accountability mechanisms (fiduciary and internal controls), will be used.
- The PMU will submit to ADB a copy of MOECRT's NOL and signed agreement with project universities for ADB's issuance of contract number. This number will be used as reference when processing a withdrawal application.

## 14.2. Financial processes

The grants will be administered by the STP-PIU, which will have autonomy to allocate the applied research and start up incubation grants resources to fund selected proposals for applied research and startup incubation activities. The number of grantees to be awarded shall not exceed the individual STP's total project allocation (loan proceeds and government) in a given fiscal year for grants. The PIU will use the applied research and start up incubation grants process and use the payment modalities of each university (e.g., special account, transaction account, e-wallet for research fund, virtual account, etc.). For financial accountability, each university-STP will use its own fiduciary and internal control procedures.

The commitment-making officer of the DOM will determine and confirm each recipient or grantee of research assistance in given fiscal year. A contract will be signed between the head of STP and the grantee before the start of implementation activities. The grantee is responsible to document activities, keep track of financial records, and submit activity and financial report at periodic interval as per grant agreement and at project completion.

The commitment-making officer of the DOM will send SPP supported by documents of payment and contract to Payment Instruction Signing Officer (PPSPM) at DOM. After checking the SPP, PPSPM issues SPM and send to KPPN. Then KPPN will be paid to university account of the PIU. The EA (MOECRT-DGHERT) will use government aid mechanism. Guidelines of government aid mechanism for applied research and start up incubation grants will be established by the EA (MOECRT-DGHERT)

The universities have established guidelines and systems for cooperation funds (e.g., grants) with clear procedures for receiving cooperation funds (domestic and foreign), procedure for acceptance of services, and pay code system. For any given procedure, each activity has an identified executor and service quality standard (completeness and timelines), internal monitoring system (e.g., monitor bills and payments), and real-time reporting capability. To illustrate, the university systems can generate reports such as contract data stored in the system, real time payment information, payment status in finance system, receipt data recorded in general cash book, and receipt by payee/ faculty or work unit.

Detailed Technical Guidelines for Government Aid of PRIME STeP will be prepared by the DGHERT. These will include guidelines on including financing management, reporting, auditing, and performance accountability.

## 15. CAPACITY DEVELOPMENT

### 15.1. Introduction

The budget for Training and Capacity Development is JPY 1,632.01 million funded 100% from the ADB loan.

Capacity Development activities will include activities to:

- (i) enhance capability of researchers, including female researchers, at the four STPs through international post-doctorate programs in the priority economic sectors (para 2).
- (ii) train STP administrators on skillsets to develop, implement, and monitor triple-helix application; and
- (iii) train MOECRT and the STP officials on financial management, procurement, gender, and safeguards based on ADB requirements.
- (iv) Provide short-term (non-degree) training on subject matters related to research & development and startup development.

### 15.2. Capacity development processes

The process for implementing capacity development activities is as follows:

- Person-in-Charge (PIC) or coordinator for promotion, gender, and capacity development of PIU coordinates preparation of the annual plan and budget for promotion, gender activities, and capacity development implementation as part of the overall PIU workplan.
- PIC prepares terms of reference (TOR) and cost estimates for each activity including workshop, training, interns, study, etc., and submits it to PMU. The TOR should include (at least) objectives, outputs, duration, implementation arrangements, number of participants, outline of the program, total cost estimates, and source of funding.
- PMU reviews the TOR and cost estimates, and if deemed acceptable, provides endorsement to PIU.
- If the PIU requires a service provider to organize the activity funded by ADB loan, the selection of providers should use agreed methods.
- For ADB-funded activities, once the contract is signed, the PIU (through PMU) should request a contract number from ADB. This number will be used as reference when processing a withdrawal application.
- Payments to the contractors are made from the PIU university accounts.
- PIU prepares completion reports of completed activities described in the TOR and as mentioned above; and submits the report to PMU.
- PIC of STP Institutional Capacity Development of PIU should update data on capacity development and include it in quarterly and annual progress reports as part of project monitoring and evaluation.



## **16. STAFF ADVANCES**

### **16.1. Introduction**

Staff advances may be paid for project activities such as domestic and international travel. Receipts and proof of expenses must be submitted within 15 working days, and any excess refunded to liquidate the advance.

Staff advances may not be paid to a staff member who has an outstanding advance.

### **16.2. Requesting an advance**

The requesting staff shall complete a Request for Advance form, with full details of the activity and the amount of advance requested and submit to their manager for endorsement and then to the finance unit in the relevant PIU or PMU.

The finance unit will review the request and conduct checks, including that the cost was included in the approved budget.

The finance unit will then process the payment to the staff member, which will be paid after approval.

Because the project uses cash-basis accounting, the payment will be coded to the relevant expenditure code when the advance is paid.

### **16.3. Settling an advance**

Advances shall be settled by submitting an Advance Settlement Form, together with all the supporting receipts and other documents for actual expenditures incurred, and refunding any remaining balance from the advance, within 15 working days of the end of the activity.

Required supporting document for settling an advance should include:

- Receipts for all expenses such as transport expenses, hotels
- A mission or travel report to confirm the details of the trip and the work conducted

The staff member will first submit to their manager for endorsement, and then submit to the PIU or PMU finance unit.

The finance unit will review the Advance Settlement Form and the supporting documents and submit for approval.

If the amount of expenditure is less than the original advance, the staff will return this amount to the finance unit who will deposit to the bank account. The finance unit will prepare a Receipt Voucher and will credit the receipt to the expenditure code that the advance payment was charged to.

### **16.4. Monitoring advances**

Each PIU and the PMU will maintain a staff advance register to record details of all staff advances and advance settlements.

The register shows the outstanding advances and is used as a monitoring tool.

The relevant finance unit will follow up with the responsible staff member and their manager for any advances that have not been cleared 15 days after the end of the activity.

## 17. FIXED ASSETS

### 17.1. Introduction

Fixed assets are tangible assets that have a useful life of more than 12 (twelve) months.

Fixed assets consist of these categories:

- Land & buildings
- Vehicles
- Computers and IT equipment
- Machinery & other equipment
- Furniture

The project must ensure that the fixed assets are maintained, monitored, and safeguarded properly. No fixed assets will be disposed of before the end of the project. Even though the project is using cash basis accounting, best practice requires that fixed assets should be recorded, inventoried and maintained throughout the project.

### 17.2. Receiving assets

The unit under the EA or IA that receives fixed assets will prepare a Certificate of Acceptance, after checking the assets, to confirm that:

- The assets were received in good working condition
- The assets received are in accordance with the quantity and specifications of the goods that were agreed upon, and that were stipulated in the contract or Purchase Order.

After receipt, fixed assets will be tagged with stickers indicating the following:

- The name of the project and funder
- The name of the EA/IA
- Asset category
- Sequential number

The purpose of the tagging system is to establish identification of ownership, determination of location, for asset control and checking.

### 17.3. Use of assets

#### General rule

All assets purchased must be used for project activities. The assets should be used properly and be well maintained.

#### Vehicles:

- Project vehicles shall only be driven by authorised drivers
- Project vehicles shall be parked at night and during non-working days at the relevant office
- Each vehicle shall have a logbook, which will contain records of travels (dates, passengers, locations, mileage) fuel refills and maintenance
- Insurance shall be obtained for all project vehicles

### Computers:

Anti-virus software shall be installed on all project computers

### Portable assets such as laptops:

Registers will be maintained to record information including the name of the staff that the asset was issued to, the date issued, and the date returned.

## **17.4. Fixed Asset inventory**

The acquisition cost of fixed assets that are funded by the ADB loan and Government funds will be recorded on SIMAK BMN (Government of Indonesia assets management systems) as inventory in DOM bookkeeping. The SIMAK BMN includes the following details for each asset:

- Asset number (from the asset label)
- Category of asset
- Description (Model, Serial No.)
- Date of purchase
- Purchase cost
- Payment voucher number
- IA name
- Location
- Condition

The records will be updated whenever a new asset is purchased, the location or other details changed.

## **17.5. Physical check of assets**

An annual physical inspection shall be conducted to check the existence, location, and condition of all the items on the asset inventory. The asset inventory will be updated accordingly.

| # | Description   | Responsibility     |
|---|---|--------------------|
| 1 | Assign staff to conduct the inspection for each location and set the dates.   | PMU or PIU         |
| 2 | Print out the list of assets for each location from the asset inventory.  | PMU/PIU admin unit |
| 3 | Assigned staff conduct a 100% check of the assets on the inventory, checking the existence, location, condition of the assets. Staff should mark the asset inventory sheets using pen, as evidence to show the assets have been checked, and write and discrepancies or changes on the sheets. Staff should sign and date the sheets. | Assigned staff     |
| 4 | The checking sheets will be submitted to the PMU/PIU admin unit, who will update the asset inventory with any changes.  | PMU/PIU admin unit |
| 5 | The updated asset inventory will be approved by the manager if the PMU/PIU and all inventories submitted to the PMU.  | PMU/PIU            |
| 6 | The PMU will prepare a consolidate project fixed asset inventory  | PMU admin unit     |

Where an asset is damaged, lost or stolen, the responsible officer will prepare a letter with full details, including asset ID, date and time of incident, location, description of the incident, and

a copy of a police report where relevant. The letter will be submitted to the PMU/PIU admin unit. The admin unit will then submit to the PMU/PIU Manager, to decide on the follow-up action to be taken.

## **17.6. Asset handover**

At the end of the project, the PMU will prepare a final list of all the project fixed assets and prepare a letter so that these may formally be handed over.

The fixed assets purchased for the PMU will become State Property.

The fixed assets purchased for universities will be granted to the universities. At that time the inventory will be removed from the balance sheet and SIMAK BMN at DOM and will be recorded in balance sheet of the universities.

## 18. ACCOUNTING SYSTEMS

### 18.1. Accounting software

The PMU and PIUs will use accounting software to record the transactions of the project and enable financial information to be produced for monitoring and controlling the project.

The accounting software used will need to be able to:

- Produce reports on the cash-basis of accounting
- Use a coding structure in accordance with section 18.2 that enables the financial reports (in section 19) to be produced.

The accounting softwares that the PMU and PIUs propose to use are as follows:

| Entity     | Accounting software  | Notes  |
|------------|--|--|
| DGHERT-PMU | SAKTI (Sistem Aplikasi Keuangan Tingkat Instansi)                | application that is used as a tool for the work unit (Satker) in supporting the implementation of SPAN to carry out financial management which includes the planning stages to budget accountability |
| ITB-PIU    | Use existing accounting software developed by ITB                | ITB will modify their existing accounting software to include the required coding dimensions and use an Application Programming Interface to be able to produce reports.                             |
| IPB-PIU    | Use existing accounting software developed by IPB                | IPB will modify their existing accounting software to include the required coding dimensions and use an Application Programming Interface to be able to produce reports.                             |
| UGM-PIU    | Use existing accounting software developed by UGM                | They will use a “bridging system” to map the activity codes use in the system for the project to the coding dimensions outlines in section 18.2  |
| UI-PIU     | Implement a new accounting software specifically for the project | They may select Zahir Accounting   |

The PMU and PIU will ensure there are controls on the use of the project’s accounting software, including:

- The system must be password protected. All users must have individual passwords, which must be kept confidential.
- Users of the system have different access levels, depending on their responsibilities.
- The accounting software must be regularly backed-up.

## 18.2. Coding structure

A coding structure will be set up within the accounting software, with analysis codes so that the project can produce all the reports required, for reporting to the ADB, project management and government. The codes will include the following:

| Code dimension | Description  |
|----------------|--|
| Cost category  | <p>Codes will be used for each category that costs will be charged to:</p> <ul style="list-style-type: none"> <li>• Equipment &amp; Furniture</li> <li>• Civil Works</li> <li>• Software, licenses, and certifications</li> <li>• Consulting Services</li> <li>• Training &amp; Capacity Development</li> <li>• Initial Equipment Operation and Maintenance Services</li> <li>• Project Administration - EA PMC</li> <li>• Project Administration - EA PMU</li> <li>• Project Administration - IA</li> <li>• Applied Research &amp; Startup Incubation</li> </ul>  |
| Funding source | <p>Codes for each financier:</p> <ul style="list-style-type: none"> <li>• ADB Loan</li> <li>• Government of Indonesia</li> <li>• University funds</li> </ul>   |
| Activity       | <p>Codes for each activity under each output:</p> <ul style="list-style-type: none"> <li>• 1.1. Develop detailed engineering design for new IPB building for research</li> <li>• 1.2. Initiate contracting for retrofitting to upgrade startup incubation facilities and R&amp;D facilities</li> <li>• 1.3. Commence contracting for equipment and furniture for startup incubation facilities and R&amp;D facilities</li> <li>• 1.4. Install, test, and commission R&amp;D and startup incubation equipment</li> <li>• 2.1. Select, fund, and support teams for the startup incubation program</li> <li>• 2.2. Dialogue with potential venture capital partner(s) for collaboration and establish partnership agreement</li> <li>• 2.3. Dialogue with business enterprises on R&amp;D collaboration and conclude joint R&amp;D partnership agreement</li> <li>• 2.4. Conduct outreach and promotional activities for innovation and startup development</li> <li>• 2.5. Conduct applied R&amp;D activities in priority focus sectors of the Project</li> <li>• 2.6. Dialogue with international R&amp;D cooperation partners and establish joint R&amp;D agreement</li> <li>• 2.7. Conduct applied R&amp;D jointly with international research institutions</li> <li>• 2.8. Organize counselling and motivational sessions for female students in the four STPs on the prospects and opportunities through participation in innovation and research</li> <li>• 2.9. Design gender specific targeting and mobilization activities</li> </ul> |

| Code dimension                            | Description  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• 3.1 Improve monitoring and evaluation capacity and protocols, including the administration of pre- and post-training surveys and collection and analysis of sex-disaggregated data</li> <li>• 3.2 Organize capacity building courses for staff from MOECRT and the four STPs on project management, procurement management, contract management, gender mainstreaming, and financial management</li> <li>• 3.3 Promote gender mainstreaming and integration of gender throughout the R&amp;D and innovation lifecycle</li> <li>• 3.4 Identify international/national training program(s) for participant capacity building in R&amp;D competency</li> <li>• 3.5 Dispatch researchers/technologists for international post doctorate and fellowship training</li> <li>• 3.6 Implement knowledge management and communication strategy and action plan to promote project activities and achievement</li> <li>• 3.7 Implement a digital operation system to coordinate project implementation activities</li> <li>• 4. Project Management Activities</li> </ul> |
| Additional codes (for certain categories) | <p>Additional analysis codes that may be included if the accounting software can allow, which will only be used for certain costs:</p> <ul style="list-style-type: none"> <li>• Procurement package code (for all works, goods, non-consulting service and consulting service costs) by the PMU</li> <li>• Research &amp; Innovation Grant number by the PIUs</li> <li>• Training package number, by the PIUs</li> </ul>   |

### 18.3. Vouchers

The PMU and IAs will use vouchers to record financial transactions. All vouchers will be prepared, reviewed, and approved by different staff to ensure proper segregation of duties. Full supporting documentation will be attached to each voucher. The vouchers will be used to enter the transactions into the accounting software. The vouchers must therefore contain all the relevant information, including a full description of the transaction, including the transaction date, details of the payee (for payments) or payer (for receipts), reference numbers such as cheque number or deposit slip number, and all relevant codes.

The vouchers used will include the following (note that the names of the vouchers used may vary based on the systems used in the PMU and each PIU):

| Voucher type       | Used for   |
|--------------------|--|
| Receipt Voucher    | Receipt of funds from financiers, Refunds from staff advances, Other miscellaneous receipts                                      |
| Payment Voucher    | Payments by cheque, bank transfer or e-banking to consultants, contractors, suppliers, staff, Transfers to beneficiary's account |
| Petty Cash Voucher | Petty cash payments  |
| Journal Voucher    | Bank charges, Direct payments, Correcting entries  |

## 18.4. Registers

Supplementary registers are maintained in excel by the PMU and PIUs, updated regularly, and are used to assist in managing and controlling the project's financial activities and resources. These registers will include:

| Register                              | Purpose   |
|---------------------------------------|---|
| Petty cash register                   | To lists all the petty cash transactions and monitor the petty cash balance   |
| Staff advances register               | To list all staff and advances and settlements and monitor outstanding advances (PMU and IAs)   |
| Contracts register                    | The PMU will maintain a register to monitor all procurement contracts (civil works, goods, non-consulting, and consulting services), with details of contract amounts, contract variations, payments, and remaining balances.<br>The register should be checked before an invoice is paid, to avoid any over-payments. The register also shows the outstanding commitments. |
| Withdrawal application register       | The register will be maintained by the PMU and will contain details of all withdrawal applications made to the ADB  |
| Research & Innovation Grants register | A separate register will be maintained by each PIU to monitor the Research & Innovation grants, and support reporting.<br>It will contain details of each grant including the grant number, budget amount, amount advanced, amount expensed, start date, closing date, among others.  |

## 18.5. Accounting processes

The major steps in the accounting process are summarised below:

| Step                           | Notes   | Responsible authority |
|--------------------------------|---|-----------------------|
| Transaction processing         | Prepare and approve the transaction voucher. The vouchers will contain the relevant codes with all supporting documents attached.   | Finance co-ordinator  |
| Posting to accounting software | The debit and credit entries for each voucher will be posted to the accounting software, with all the analysis codes included, in the correct accounting period.  | Finance co-ordinator  |
| Month end reconciliations      | At the end of each month, the following accounts will be reconciled: <ul style="list-style-type: none"> <li>• Bank accounts reconciled to the bank statement</li> <li>• Petty cash account reconciled to the cash book and cash count</li> <li>• Registers are updated and checked/reconciled to the accounting software where possible</li> </ul> Individual account codes will also be reviewed to check that transactions were correctly coded.<br>Any errors or miscodes will be corrected. | PMU / PIU manager     |
| Prepare reports                | The financial reports for the period will be prepared.  | PMU / PIU manager     |



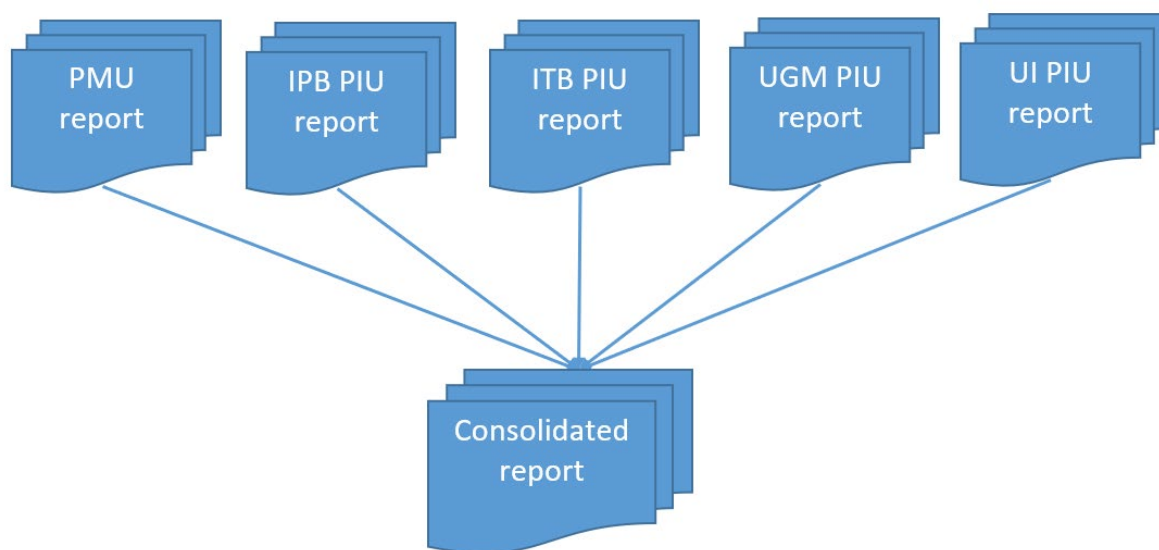
## 19. FINANCIAL REPORTS

### 19.1. Introduction

Timely and reliable financial reports are essential for the proper financial management of the project. They are used to monitor the financial position and performance of the project, including the expenditure against the budget, and to report to the ADB and the Government.

Finance reports should be prepared using information from the accounting software as far as possible, supplemented by additional information from finance registers where necessary.

PIUs will prepare finance reports for their IA and will also submit these reports to the PMU. The PMU will prepare consolidated project reports. The reports should be prepared using consistent formats so that they can be consolidated.



### 19.2. Monthly finance reports

#### IA reports

Each PIU will prepare a monthly financial report for the IA that will be submitted to the PIU manager and used for internal financial monitoring, and will be submitted to the PMU, by the 10<sup>th</sup> of the following month.

A suggested set of contents for the finance section of the report is as follows:

- Source & Uses of Funds report (showing a breakdown by funding source)
- Expenditure report by cost category and by output/activity (showing a breakdown by funding source)

#### Consolidated report

The PMU will prepare a consolidated monthly finance report by the 20<sup>th</sup> of the following month and will submit to the Project Manager.

The report will include:

- Consolidated Sources and Uses of Funds Report (showing a breakdown by funding source and by IA)
- Consolidated Expenditure report by cost category and output/activity (showing a breakdown by funding source and by IA)

## 19.3. Quarterly progress reports

### Consolidated project report

The project will prepare quarterly progress reports and submit to the ADB within 30 days after the end of each quarter. The quarterly progress report will include sections to report on the (i) project performance against the indicators in the Design and Monitoring Framework; (ii) updates for procurement; (iii) financial management (including financial updates on ADB loan and GOI fund utilization by PAM cost category, loan summary per LFIS, disbursement projections or estimated expenditures for a year's time, and financial management action plan updates; (iv) loan covenants compliance; (v) gender action plan implementation; (vi) environmental and safeguards; (vii) applied research and startup incubation grant status; (viii) capacity development; (ix) risk assessment and risk management plan; and (x) implementation issues and challenges, with proposed actions and solutions

The quarterly reports will only be prepared for quarters 1, 2 and 3. A report is not needed for the 4<sup>th</sup> quarter, as an annual report will be prepared (see section 19.5)

The finance section will include an update on the financial progress of the project including budget utilization and disbursement projections, and an update on the financial management action plan.

A suggested set of contents for the finance section of the report is as follows:

- A narrative summary including variance analysis
- Report on the status of the financial management action plan
- Statement of sources and uses of funds
- Expenditure reports showing spending against budget for the quarter, year-to-date and cumulatively, by PAM cost category, output/activity, and by EA/IA
- Updated disbursement projection for the next six months

### IA reports

For the PMU to be able to produce a consolidated report and monitor the progress of the project, the PMU and each PIU will prepare a quarterly financial progress report and submit to the PMU by the 20<sup>th</sup> of the following month.

The contents of the reports are as follows:

| Report   | PMU | PIUs |
|--|-----|------|
| 1. Narrative summary including variance analysis   | Yes | Yes  |
| 2. Sources and uses of funds report                | Yes | Yes  |
| 3. Expenditure by output & activity report         | Yes | Yes  |
| 4. Expenditure by PAM cost category report         | Yes | Yes  |
| 5. Breakdown of Research & Innovation by Grant     | Yes | -    |
| 6. Breakdown of Capacity Development by Package    | Yes | -    |
| 7. Breakdown of Goods, works, services by contract | -   | Yes  |

The reports should be prepared in 3 currencies (Rupiah, US Dollars and Japanese Yen).

Suggested formats for reports are shown on the following pages in Rupiah. The same formats would be used for the other two currencies.

## Sources & Uses of Funds Report

| SOURCES AND USES OF FUNDS REPORT |  |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|----------------------------------|--|--------------|-----------|------------------|--------|--------------|-----------|------------------|--------|---------------|-----------|------------------|--------|
| PMU/PIU name:                    |  |              |           |                  |        |              |           |                  |        | Period:       |           |                  |        |
|                                  |  | This Quarter |           |                  |        | Year to date |           |                  |        | Total project |           |                  |        |
|                                  |  | ADB          | GOI funds | University funds | Total  | ADB          | GOI funds | University funds | Total  | ADB           | GOI funds | University funds | Total  |
|                                  |  | Rupiah       | Rupiah    | Rupiah           | Rupiah | Rupiah       | Rupiah    | Rupiah           | Rupiah | Rupiah        | Rupiah    | Rupiah           | Rupiah |
| <b>1</b>                         | <b>OPENING BALANCE</b>                             |              |           |                  |        |              |           |                  |        |               |           |                  |        |
| <b>2</b>                         | <b>SOURCES OF FUNDS</b>                            |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Received from ADB (PMU)                            |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Direct payments by ADB (PMU)                       |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Received from Government (PMU)                     |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Received from University funds (PIUs)              |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | <b>TOTAL SOURCES</b>                               |              |           |                  |        |              |           |                  |        |               |           |                  |        |
| <b>3</b>                         | <b>TRANSFER FROM PMU TO PIU</b>                    |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Transfer out of Advance Account (PMU) <b>-ve</b>   |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Transfer into Sub Account (PIUs) <b>+ve</b>        |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | <b>TOTAL TRANSFERS</b>                             |              |           |                  |        |              |           |                  |        |               |           |                  |        |
| <b>4</b>                         | <b>USE OF FUNDS BY CATEGORY</b>                    |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Equipment & Furniture                              |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Civil Works  |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Software, licenses and certifications              |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Research & Innovation Development                  |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Consulting Services                                |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Training & Capacity Development                    |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Initial Equipment Operation & Maintenance Services |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Project Administration - EA PMC                    |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Project Administration - EA PMU                    |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Project Administration - IA                        |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | <b>TOTAL USES</b>                                  |              |           |                  |        |              |           |                  |        |               |           |                  |        |
| <b>4</b>                         | <b>FUNDS BALANCE</b>                               |              |           |                  |        |              |           |                  |        |               |           |                  |        |
| <b>5</b>                         | <b>BALANCE REPRESENTED BY</b>                      |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Advance account (PMU)                              |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Government funds account (PMU)                     |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Petty Cash Account (PMU)                           |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Sub-account (PIUs)                                 |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | University funds account (PIUs)                    |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Research Grant accounts (PIUs)                     |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | Petty Cash Account (PIUs)                          |              |           |                  |        |              |           |                  |        |               |           |                  |        |
|                                  | <b>TOTAL BALANCE</b>                               |              |           |                  |        |              |           |                  |        |               |           |                  |        |

## Expenditure by Output and Activity Report

| EXPENDITURE BY OUTPUT AND ACTIVITY REPORT |   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
|---|---|-----------------|------------------------------|-----------------------|--------------------|-----------------|-------------------------|------------------------------|--------------------------|-----------------|--------------------------------|-------------------------------|--------------------------|-----------------|
| PMU/PIU name:                             |   |                 |                              |                       |                    |                 |                         |                              |                          | Period:         |                                |                               |                          |                 |
| #   | Description   | Source of funds | This Quarter                 |                       |                    |                 | Year to date            |                              |                          |                 | Total project                  |                               |                          |                 |
|   |   |                 | Budget for Quarter<br>Rupiah | Expenditure<br>Rupiah | Variance<br>Rupiah | Spend rate<br>% | Annual budget<br>Rupiah | Spend year to date<br>Rupiah | Budget balance<br>Rupiah | Spend rate<br>% | Total project budget<br>Rupiah | Total spend to date<br>Rupiah | Budget balance<br>Rupiah | Spend rate<br>% |
| <b>1</b>                                  | <b>Research and development and innovation facilities upgraded.</b>   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 1.1                                       | Develop detailed engineering design for new IPB building for research   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 1.2                                       | Initiate contracting for retrofitting to upgrade start-up incubation facilities and R&D facilities  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 1.3                                       | Commence contracting for equipment and furniture for start-up incubation facilities and R&D facilities  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 1.4                                       | Install, test, and commission R&D and start-up incubation equipment   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
|   | <b>Sub-total</b>  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| <b>2</b>                                  | <b>Research and development administration, partnerships, and startup incubation in project universities strengthened.</b>  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.1                                       | Select, fund, and support teams for the start-up incubation program   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.1                                       | Select, fund, and support teams for the start-up incubation program   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.2                                       | Dialogue with potential venture capital partner(s) for collaboration and establish agreement  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.3                                       | Dialogue with business enterprises on R&D collaboration and conclude joint R&D agreement  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.4                                       | Conduct outreach and promotional activities for innovation and start-up development   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.5                                       | Conduct applied R&D activities in priority focus sectors of the project   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.6                                       | Dialogue with international R&D cooperation partners and establish joint R&D agreement  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.7                                       | Conduct applied R&D jointly with international research institutions  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.8                                       | Organize counselling and motivational sessions for female students in the four STPs on the prospects and opportunities through participation in innovation and research                       |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 2.9                                       | Design gender specific targeting and mobilization activities  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
|   | <b>Sub-total</b>  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| <b>3</b>                                  | <b>Research and development and institutional capability of four sSTPs and project management capacity of MOECRT strengthened.</b>  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.1                                       | Improve monitoring and evaluation capacity and protocols, including the administration of pre- and post-training surveys and collection and analysis of sex-disaggregated data                |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.2                                       | Organize capacity building courses for staff from MOECRT and the four STPs on project management, procurement management, contract management, gender mainstreaming, and financial management |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.3                                       | Promote gender mainstreaming and integration of gender throughout the R&D and innovation lifecycle  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.4                                       | Identify international/national training program(s) for participant capacity building in R&D competency   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.5                                       | Dispatch researchers and technologists for international post-doctorate and fellowship training   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.6                                       | Implement knowledge management and communication strategy and action plan to promote project activities and achievement   |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
| 3.7                                       | Implement a digital operation system to coordinate project implementation activities  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
|   | <b>Sub-total</b>  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |
|   | <b>Total</b>  |                 |                              |                       |                    |                 |                         |                              |                          |                 |                                |                               |                          |                 |

## Expenditure by Cost Category Report

| EXPENDITURE COST CATEGORY REPORT |  |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|----------------------------------|--|-----------------------|-------------------------|---------------------------|--------------------|--------------------|----------------------------|----------------------------|-----------------------------|--------------------|----------------------------|-----------------------------|-----------------------------|--------------------|
| PMU/PIU name:                    |  |                       |                         |                           |                    |                    |                            |                            |                             | Period:            |                            |                             |                             |                    |
| #                                | Description  | Source<br>of<br>funds | This Quarter            |                           |                    |                    | Year to date               |                            |                             |                    | Total project              |                             |                             |                    |
|                                  |  |                       | Budget<br>for<br>Rupiah | Expendit<br>ure<br>Rupiah | Variance<br>Rupiah | Spend<br>rate<br>% | Annual<br>budget<br>Rupiah | Spend<br>year to<br>Rupiah | Budget<br>balance<br>Rupiah | Spend<br>rate<br>% | Total<br>project<br>Rupiah | Total<br>spend to<br>Rupiah | Budget<br>balance<br>Rupiah | Spend<br>rate<br>% |
|                                  | <b>Investment costs</b>                            |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Equipment & Furniture                              |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Civil Works  |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Software, licenses and certifications              |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Research & Innovation Development                  |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Consulting Services                                |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Training & Capacity Development                    |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Initial Equipment Operation & Maintenance Services |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | <b>Sub-total</b>                                   |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | <b>Recurrent costs</b>                             |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Project Administration - EA PMC                    |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Project Administration - EA PMU                    |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | Project Administration - IA                        |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | <b>Sub-total</b>                                   |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |
|                                  | <b>Total</b>                                       |                       |                         |                           |                    |                    |                            |                            |                             |                    |                            |                             |                             |                    |

Expenditure by Cost Category Report

| EXPENDITURE REPORT FOR RESEARCH & INNOVATION GRANTS |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|---|-------------------|-----------------------|------------------------------|-----------------------------------|------------------------------------|---------------------------------|-----------------------------|-------------------------|-----------------|
| PMU/PIU name:                                       |                   |                       |                              |                                   |                                    | Period:                         |                             |                         |                 |
| Grant #   | Grant description | Source<br>of<br>funds | Amounts                      |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       | Total Grant budget<br>Rupiah | Funds received from PMU<br>Rupiah | Expenditure this Quarter<br>Rupiah | Expenditure this year<br>Rupiah | Total expenditure<br>Rupiah | Funds balance<br>Rupiah | Spend rate<br>% |
|   |                   |                       | 1.                           | 2                                 | 3                                  | 4.                              | 5                           | 6 = 2 - 5               | 7 = 5 / 1       |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   |                   |                       |                              |                                   |                                    |                                 |                             |                         |                 |
|   | <b>Total</b>      |                       |                              |                                   |                                    |                                 |                             |                         |                 |

### Breakdown of Capacity Development by Package

| EXPENDITURE REPORT FOR TRAINING / CAPACITY DEVELOPMENT PACKAGES |              |                 |                        |                                       |                                    |                                |                             |                 |
|---|--------------|-----------------|------------------------|---------------------------------------|------------------------------------|--------------------------------|-----------------------------|-----------------|
| PMU/PIU name:   |              |                 | Period                 |                                       |                                    |                                |                             |                 |
| Package No.   | Package name | Source of funds | Amounts                |                                       |                                    |                                |                             |                 |
|   |              |                 | Total budget<br>Rupiah | Expenditure<br>this Quarter<br>Rupiah | Expenditure<br>this year<br>Rupiah | Total<br>expenditure<br>Rupiah | Budget<br>balance<br>Rupiah | Spend rate<br>% |
|   |              |                 | 1.                     | 2                                     | 3                                  | 4.                             | 5 = 1 - 4                   | 6 = 4 / 1       |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   |              |                 |                        |                                       |                                    |                                |                             |                 |
|   | <b>Total</b> |                 |                        |                                       |                                    |                                |                             |                 |

Breakdown of Goods, works, services by contract

| EXPENDITURE REPORT FOR PROCUREMENT PACKAGES |                           |                              |                       |  |                             |                                       |                                    |                                |                               |                 |
|---|---------------------------|------------------------------|-----------------------|--|-----------------------------|---------------------------------------|------------------------------------|--------------------------------|-------------------------------|-----------------|
| PIU   |                           |                              |                       | Period                                       |                             |                                       |                                    |                                |                               |                 |
| Proc. Plan<br>package<br>number             | ADB<br>contract<br>number | Description                  | Source<br>of<br>funds | Amounts                                      |                             |                                       |                                    |                                |                               |                 |
|   |                           |                              |                       | Estimated<br>value (proc.<br>plan)<br>Rupiah | Contract<br>value<br>Rupiah | Expenditure<br>this Quarter<br>Rupiah | Expenditure<br>this year<br>Rupiah | Total<br>expenditure<br>Rupiah | Contract<br>balance<br>Rupiah | Spend rate<br>% |
|   |                           |                              |                       | 1  | 2                           | 3                                     | 4.                                 | 5.                             | 6 = 2 - 5                     | 7 = 5 / 2       |
|   |                           | <b>EQUIPMENT</b>             |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           |                              |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           | <b>Equipment Sub-total</b>   |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           | <b>CIVIL WORKS</b>           |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           |                              |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           | <b>Civil Works Sub-total</b> |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           | <b>CONSULTANTS</b>           |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           |                              |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           | <b>Consultants Sub-total</b> |                       |  |                             |                                       |                                    |                                |                               |                 |
|   |                           | <b>TOTAL</b>                 |                       |  |                             |                                       |                                    |                                |                               |                 |





**FORMULIR B.2 : RINGKASAN PELAKSANAAN DALAM TAHUN ANGGARAN 20...****B. PELAKSANAAN FISIK (dalam %)**

| PAKET KONTRAK / KEGIATAN | TANGGAL PENANDATANGAN AN KONTRAK | TANGGAL AKHIR KONTRAK | PERKEMBANGAN FISIK TAHUN ANGGARAN 20... |           |                   |           |                    |           |                   |           |        |           |  |
|--------------------------|----------------------------------|-----------------------|---|-----------|-------------------|-----------|--------------------|-----------|-------------------|-----------|--------|-----------|--|
|                          |                                  |                       | Akhir Triwulan I                        |           | Akhir Triwulan II |           | Akhir Triwulan III |           | Akhir Triwulan IV |           | Total  |           |  |
|                          |                                  |                       | Target                                  | Realisasi | Target            | Realisasi | Target             | Realisasi | Target            | Realisasi | Target | Realisasi |  |
| [a]                      | [b]                              | [c]                   | [d]                                     | [e]       | [f]               | [g]       | [h]                | [i]       | [j]               | [k]       | [l]    | [m]       |  |
|                          |                                  |                       |   |           |                   |           |                    |           |                   |           |        |           |  |

**FORMULIR C : STATUS PERMASALAHAN**

| TAHUN ANGGARAN 20... | PAKET KONTRAK | MASALAH KRITIS YANG MEMPENGARUHI JADWAL DAN PENYERAPAN | TINDAK LANJUT PENYELESAIAN |
|----------------------|---------------|--|----------------------------|
| [a]                  | [b]           | [c]  | [d]                        |
| TRIWULAN I           |               |  |                            |
| TRIWULAN II          |               |  |                            |
| TRIWULAN III         |               |  |                            |
| TRIWULAN IV          |               |  |                            |

**FORMULIR D : STATUS PAKET KONTRAK**

(Prakontrak, Kontrak, Amandemen untuk Pekerjaan Tambahan, dan Perubahan Lainnya)

D1. PAKET KONTRAK : .....

| D2. LANGKAH-LANGKAH KEGIATAN<br>(untuk paket prakontrak pada bulan Januari 20...) | TANGGAL<br>RENCANA | TANGGAL<br>PERUBAHAN | TANGGAL<br>AKTUAL |
|---|--------------------|----------------------|-------------------|
| (a)   | (b)                | (c)                  | (d)               |
| <b>PROSES PENGADAAN</b>   |                    |                      |                   |
| <b>Prakualifikasi</b>   |                    |                      |                   |
| Oleh Penanggung Jawab Kegiatan  |                    |                      |                   |
| Persetujuan Pemberi Pinjaman  |                    |                      |                   |
| <b>Pasca Kualifikasi</b>  |                    |                      |                   |
| Oleh Penanggung Jawab Kegiatan  |                    |                      |                   |
| Persetujuan Pemberi Pinjaman  |                    |                      |                   |
| <b>Evaluasi Pengadaan</b>   |                    |                      |                   |
| Oleh Penanggung Jawab Kegiatan  |                    |                      |                   |
| Persetujuan Pemberi Pinjaman  |                    |                      |                   |
| <b>KONTRAK</b>  |                    |                      |                   |
| Tandatangan Kontrak   |                    |                      |                   |
| Persetujuan oleh Bappenas (bila diperlukan)                                       |                    |                      |                   |
| Persetujuan Pemberi Pinjaman  |                    |                      |                   |
| Permintaan Uang Muka  |                    |                      |                   |
| Penarikan Uang Muka   |                    |                      |                   |

| D3. STATUS KONTRAK                              |        |
|---|--------|
| Untuk kontrak berjalan pada bulan Januari 20... |        |
| - Tanggal Kontrak                               | :      |
| - Tanggal Persetujuan Peminjam                  | :      |
| - Periode Kontrak                               | :      |
| - Tanggal Akhir Kontrak                         | : hari |
| - Nama Kontraktor/Konsultan/Supplier            | :      |

| D4. STATUS TERAKHIR |
|---------------------|
|                     |

**D5. STATUS PENYERAPAN**

Dalam Juta Valas

| NILAI<br>KONTRAK *) | PENYERAPAN<br>KUMULATIF SAMPAI<br>31 DESEMBER 20... | REALISASI<br>PENYERAPAN WA<br>TH YL | PENYERAPAN TA 20... |           |            |           |            |           |            |           |               |           |
|---------------------|---|-------------------------------------|---------------------|-----------|------------|-----------|------------|-----------|------------|-----------|---------------|-----------|
|                     |   |                                     | Triwulan 1          |           | Triwulan 2 |           | Triwulan 3 |           | Triwulan 4 |           | TOTAL TA 2008 |           |
|                     |   |                                     | Target              | Realisasi | Target     | Realisasi | Target     | Realisasi | Target     | Realisasi | Target        | Realisasi |
| (e)                 | (f)   | (g)                                 | (h)                 | (i)       | (j)        | (k)       | (l)        | (m)       | (n)        | (o)       | (p)           | (q)       |
|                     |   |                                     |                     |           |            |           |            |           |            |           |               |           |

\*) : Perkiraan Jumlah pada saat prakontrak atau jumlah yang terkontrak

**FORMULIR E : RINCIAN DOKUMEN ANGGARAN**

| Nama Kegiatan dan Nomor<br>Kode DIPA | PHLN  |                              | Rupiah (dalam juta)                   |           |                              |           | Rencana<br>Penarikan<br>PHLN TH YAD<br>(Juta) |
|--------------------------------------|-------|------------------------------|---------------------------------------|-----------|------------------------------|-----------|---|
|                                      | Valas | Rupiah<br>Ekivalen<br>(Juta) | Dana Pendamping<br>(Bagian dari PHLN) |           | Rupiah Murni<br>(Murni APBN) |           |   |
|                                      |       |                              | Pagu                                  | Realisasi | Pagu                         | Realisasi |   |
| (a)                                  | (b)   | (c)                          | (d)                                   | (e)       | (f)                          | (g)       | (h)   |
|                                      |       |                              |                                       |           |                              |           |   |

## **19.5. Annual progress reports**

The project will prepare an annual progress report to submit to the ADB.

This will include the same contents as the quarterly progress report but with some further details added, including:

- an updated procurement plan
- implementation plan for the next 12 months.
- A disbursement projection for the next 12 months
- code of construction practice (COCP) for civil works package

## **19.6. Annual entity financial statements**

The four universities will submit their audited entity financial statements, together with the auditor's report and the management letter to the ADB, in the English language, within one month from approval by the relevant authority.

## 20. ANNUAL PROJECT FINANCIAL STATEMENTS

### 20.1. Introduction

The EA, through the PMU, will prepare a set of consolidated Annual Project Financial Statements (APFS) for each financial year. The consolidated APFS will be audited (as explained in the next section). The EA must submit the APFS together with the auditor's opinion to the ADB in the English language, within 6 months from the end of each fiscal year, i.e., by 30<sup>th</sup> June every year.

The APFS will be prepared in accordance with the letter of the Director General of Treasury number S-5/PB/PB.6/2022 dated February 8, 2022 regarding the Financial Statements of Foreign Loans and Grants (LK PHLN) and Summary of LK PHLN 2021 and the letter of the Director General of Treasury number S-27/PB/PB.6/2021 dated December 31, 2021 regarding Schedule for Reconciliation, Preparation, and Submission of Unaudited Financial Statements of State Ministries/Institutions (LKKL) 2021 and Accounting Treatment for Year-End Transactions.

The APFS will be prepared using the cash-basis of accounting.

### 20.2. Format of APFS

The consolidated APFS will be prepared in the Indonesian Rupiah (IDR) currency. They will include project revenues and expenditures for all IAs and the EA

The APFS will be prepared in accordance with the letter of the Director General of Treasury number S-5/PB/PB.6/2022 dated February 8, 2022 regarding the Financial Statements of Foreign Loans and Grants (LK PHLN) and Summary of LK PHLN 2021 and the letter of the Director General of Treasury number S-27/PB/PB.6/2021 dated December 31, 2021 regarding Schedule for Reconciliation, Preparation, and Submission of Unaudited Financial Statements of State Ministries/Institutions (LKKL) 2021 and Accounting Treatment for Year-End Transactions. The APFS will include the following:

- Financial statement of foreign loan and grant (in accordance with the letter of the Director General of Treasury number S-5/PB/PB.6/2022)
- Statement of Budget Realization (in accordance with Government Accounting Standards (PSAP) 02.)
- Notes to the financial statements

Templates for the financial statements and more details of the notes to the accounts are shown on the next pages. Templates of the financial statements may follow MOF regulation no S-4/PB/PB.6/2023 as a guidance, which may be amended from time to time.

Financial statement of foreign loan and grant template

This statement only includes financial information for the ADB loan, not government funds.

| <b>Financial statement of foreign loan and grant</b><br><b>in accordance with the letter of the Director General of Treasury number S-5/PB/PB.6/2022</b><br><b>For the period ended 31 December 20XX</b> |                  |             |                      |                  |
|--|------------------|-------------|----------------------|------------------|
| Description  | Fiscal Year 20X2 |             |                      | Fiscal Year 20X1 |
|  | Budget           | Realization | % budget realisation | Realization      |
| <b>A. Grant Revenue</b>  |                  |             |                      |                  |
| Receipt of Foreign Grants (1)  | xxx              | xxx         | xxx                  | xxx              |
| <b>Total Amount of Grant Income</b>  | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>B. Expenditure sourced from PLHN (Foreign Loan/Grant)</b>   |                  |             |                      |                  |
| 1. Staff expenditure   | xxx              | xxx         | xxx                  | xxx              |
| 2. Goods expenditure   | xxx              | xxx         | xxx                  | xxx              |
| 3. Capital expenditure   | xxx              | xxx         | xxx                  | xxx              |
| 4. Social assistance expenditure   | xxx              | xxx         | xxx                  | xxx              |
| 5. Other expenditure   | xxx              | xxx         | xxx                  | xxx              |
| <b>Total Expenditure</b>   | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>C. Budget surplus/deficit (A-B)</b>   | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>D. Financing</b>  |                  |             |                      |                  |
| Foreign loan withdrawal  | xxx              | xxx         | xxx                  | xxx              |
| <b>Total financing</b>   | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>E. Budget financing surplus/deficit (D-C)</b>   | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |

Recurrent costs and all other cost category for universities and PMU

Equipment & furniture for PMU only and Civil works category for universities only from universities' fund

ADB funds received

| Statement of Budget Realization<br>in accordance with Government Accounting Standards (PSAP) 02<br>For the period ended 31 December 20XX |       |                  |             |                      |                  |
|--|-------|------------------|-------------|----------------------|------------------|
| Description  | Notes | Fiscal Year 20X2 |             |                      | Fiscal Year 20X1 |
|  |       | Budget           | Realization | % budget realisation | Realization      |
| <b>REVENUE</b>   |       |                  |             |                      |                  |
| Tax revenue  |       | xxx              | xxx         | xxx                  | xxx              |
| Non-tax revenue  |       | xxx              | xxx         | xxx                  | xxx              |
| Grant revenue  |       | xxx              | xxx         | xxx                  | xxx              |
| <b>Total revenue</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>EXPENDITURE</b>   |       |                  |             |                      |                  |
| <b>OPERATIONAL EXPENDITURE</b>   |       |                  |             |                      |                  |
| Personnel expenditure  |       | xxx              | xxx         | xxx                  | xxx              |
| Goods expenditure  |       | xxx              | xxx         | xxx                  | xxx              |
| Interest   |       | xxx              | xxx         | xxx                  | xxx              |
| Subsidy  |       | xxx              | xxx         | xxx                  | xxx              |
| Grant  |       | xxx              | xxx         | xxx                  | xxx              |
| Social assistance  |       | xxx              | xxx         | xxx                  | xxx              |
| Other expenditure  |       | xxx              | xxx         | xxx                  | xxx              |
| <b>Total Operational Expenditure</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>CAPITAL EXPENDITURE</b>   |       |                  |             |                      |                  |
| Land expenditure   |       | xxx              | xxx         | xxx                  | xxx              |
| Equipment & machine expenditure  |       | xxx              | xxx         | xxx                  | xxx              |
| Buildings expenditure  |       | xxx              | xxx         | xxx                  | xxx              |
| Roads, irrigation and networks expenditure   |       | xxx              | xxx         | xxx                  | xxx              |
| Other fixed assets expenditure   |       | xxx              | xxx         | xxx                  | xxx              |
| Other assets expenditure   |       | xxx              | xxx         | xxx                  | xxx              |
| <b>Total Capital Expenditure</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>TOTAL EXPENDITURE</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>TRANSFER</b>  |       |                  |             |                      |                  |
| Balancing funds  |       | xxx              | xxx         | xxx                  | xxx              |
| Other transfer   |       | xxx              | xxx         | xxx                  | xxx              |
| <b>Total transfer</b>  |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>TOTAL EXPENDITURE AND TRANSFER</b>  |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>SURPLUS/DEFICIT</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>FINANCING</b>   |       |                  |             |                      |                  |
| <b>REVENUE</b>   |       |                  |             |                      |                  |
| Domestic financing revenue   |       | xxx              | xxx         | xxx                  | xxx              |
| Overseas financing revenue   |       | xxx              | xxx         | xxx                  | xxx              |
| <b>Total financing revenue</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>EXPENDITURE</b>   |       |                  |             |                      |                  |
| Domestic financing expenditure   |       | xxx              | xxx         | xxx                  | xxx              |
| Overseas financing expenditure   |       | xxx              | xxx         | xxx                  | xxx              |
| <b>Total financing expenditure</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>Net financing</b>   |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |
| <b>BUDGET SURPLUS/DEFICIT</b>  |       | <b>xxx</b>       | <b>xxx</b>  | <b>xxx</b>           | <b>xxx</b>       |

### Statement of Budget Realization template

This statement includes financial information for the ADB loan and government funds.

Not filled (zero)

Project Administration Costs categories and all categories for university from loan fund and other category for PMU from loan and GOI fund

Equipment & Furniture category for PMU and for universities only from universities' fund

Civil works category for universities only from universities' fund

All other cost categories for universities only from universities' fund

University (matching) funds received

ADB loan funds received

Financing Expenditure funded by university

Financing Expenditure funded by ADB loan

These include expenditure funded by all sources

Notes to the financial statements should provide information about the project and provide more detailed information to support the amounts presented in the financial statements.

A suggested set of notes is as follows:

- Overview of the project
- Organisational structure of the project
- Preparation of financial statements (accounting policies)
- Breakdown of the expenditure amounts on the financial statements by IA, with explanation of significant variances from budget
- Statement of Advance Account / Financial Statement for Special Account (FISSA)
- Summary of Financial Statements of Foreign Loan
- List of loan ADB loan receipts
- Table of total project budget by IA and funding source
- Table of annual budget vs expenditure by IA and funding source
- Table of total project budget by cost category
- Table of annual budget vs expenditure by cost category
- Table of total project budget by output & activity
- Table of annual budget vs expenditure by output & activity
- Table of Research & Innovation grants showing the budget and expenditure for each

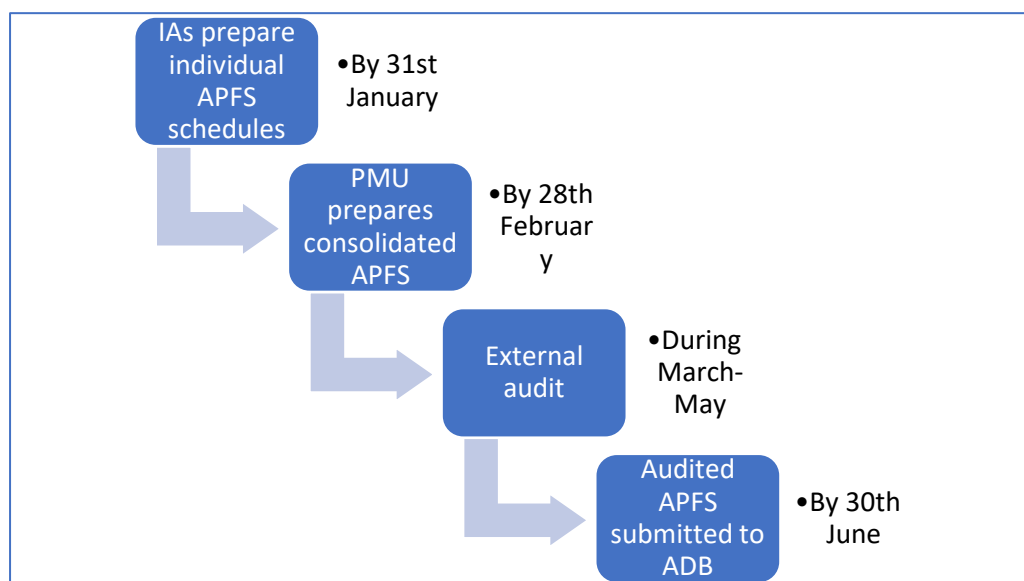
### 20.3. Process to complete consolidated APFS

Each PIU prepares (i) a Financial statement of foreign loan and grant and (ii) a Statement of Budget Realization using the formats shown above. Each PIU also prepares tables of information for the notes to the accounts. Each PIU should use the same format to make it easier to consolidate. The PIUs submit these to the PMU.

The PMU will prepare a consolidated APFS, combining the information from all the IAs. The consolidated APFS will be audited and submitted to the ADB.

A summary of the process is shown in the diagram below:

APFS preparation process





## 21. EXTERNAL AUDIT

### 21.1. Introduction

The APFS will be externally audited each year. The auditor will also review whether internal controls are adequate and whether the project is complying with the loan agreement.

The external audit will be conducted by the Audit Board of Republic of Indonesia (BPK) following the audit terms of reference approved by the Ministry of Finance. The BPK is an active member of The International Organization of Supreme Audit Institutions and is an independent auditor acceptable to ADB.

The BPK will follow the State Financial Audits Standards (SPKN) which comply with international auditing standards.

### 21.2. External audit process

A summary of the annual external process is shown below:

| # | Step                 | Notes  |
|---|----------------------|--|
| 1 | Contact the auditor  | The PMU will contact the auditor to agree dates for the audit work, and to obtain a list of information required by the auditor.                 |
| 2 | Audit preparation    | The PMU and IAs will prepare the draft APFS, and the information requested by the auditor.   |
| 3 | Entrance meeting     | The Project Manager will hold a meeting with the auditor to discuss the audit process, and the performance of the project.                       |
| 4 | Audit field work     | The project will give access to the auditors so that they may review documents, meet with PMU, EA, and IA staff, and conduct their work.         |
| 5 | Exit meeting         | The auditor will meet with the PMU and PIUs after the field work has been completed, to present the findings from the audit.                     |
| 6 | Draft audit report   | The auditor will submit a draft audit report to the PMU. This will include the audit opinion and management letter.                              |
| 7 | Management responses | The PMU and IAs will provide management responses to audit findings and may propose corrections to any findings that they believe are incorrect. |
| 8 | Final report         | The auditor will prepare the final audit report.   |

### 21.3. Audit report

The audit report will include a management letter and auditor's opinion.

The auditor's opinion will cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the

purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

The management letter will report on any identified weaknesses and deficiencies in the project's internal control systems that have been found during the audit, the implications of these weaknesses, and recommendations for improvements.

## 21.4. Implementing audit recommendations

The PMU should ensure that a follow up mechanism is put in place, through which the issues and recommendations of the auditors as outlined in the management letter are regularly reviewed and that the agreed follow-up actions are implemented in a timely manner.

It should do this by first preparing an implementation plan, listing the actions, and the responsibility and timelines for each action. A suggested format is shown below:

External audit follow-up action plan template

| Audit finding | Agreed follow-up action | Responsibility | Deadline | Status |
|---------------|-------------------------|----------------|----------|--------|
|               |                         |                |          |        |
|               |                         |                |          |        |

The PMU should regularly check with each IA on the status of the actions for which they are responsible and update the action plan. The updated action plan should be included in quarterly project progress report that is submitted to the ADB.

## 22. INTERNAL AUDIT

### 22.1. Introduction

Internal audit is a key element of the organisational system of internal controls. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The purpose of internal audits for the PRIME STeP project will be to periodically evaluate project performance including in terms of operations and financial management to improve the project's governance, risk management and internal control systems.

Internal audits will be conducted of the EA/PMU and each of the IAs by the respective internal auditor, as follows:

| Entity     | Internal auditor  |
|------------|---|
| EA/PMU     | DGHERT Monitoring, Evaluation and Internal Audit Division of Inspectorate General |
| ITB IA/PIU | ITB Internal Audit Office   |
| IPB IA/PIU | IPB Quality Management and Internal Audit Office                                  |
| UI IA/PIU  | UI Internal Audit Department  |
| UGM IA/PIU | UGM Internal Audit Office   |

### 22.2. Internal audit process

Each internal auditor will include project internal audits in their annual internal audit program.

In the first year of the project, the internal auditors will gain an understanding of the project, by reading project documents and will meet with the PMU or PIU to understand implementation arrangements.

After the first year, each internal auditor will conduct project internal audits. A suggested process for this is as follows:

| # | Description                      | Notes   |
|---|----------------------------------|---|
| 1 | Prepare an annual audit workplan | The annual audit workplan will include information such as the planned dates for the project internal audit and any specific areas to be included in the audit.   |
| 2 | Perform audit work.              | The audit work may include: <ul style="list-style-type: none"><li>• conducting sample checks of expenditures to review their eligibility, reasonableness, and appropriateness and that they are supported by adequate documentation</li><li>• conducting sample check of procurements to confirm deliveries of goods and services</li><li>• reviewing fixed asset registers,</li><li>• conducting spot checks of supplier invoices</li><li>• conducting sample checks of Research &amp; Innovation Grants</li></ul> |

| # | Description                   | Notes   |
|---|-------------------------------|---|
|   |                               | <ul style="list-style-type: none"> <li>conducting sample checks of capacity building activities</li> <li>reviewing the performance of the project against the performance indicators in the design and monitoring framework (DMF)</li> <li>reviewing the status of previous audit recommendations</li> </ul> <p>The internal auditor will maintain working papers that show the work conducted and the findings</p> |
| 3 | Prepare a draft audit report. | Each report should be clear, concise, and accurate. It should explain the findings and give recommendations. The report should be submitted to the relevant PMU or PIU.   |
| 4 | Management responses          | The PMU or PIU will provide management responses to audit findings and may propose corrections to any findings that they believe are false or misleading.   |
| 5 | Final reports                 | All the final reports, after any corrections have been made and including management responses, are submitted to PMU, and will be made available to the ADB on request  |

Each PMU/PIU is responsible for ensuring that all agreed actions are implemented. It should prepare an implementation plan, listing the actions, and the responsibility and timelines for each action.

## **23. FILING AND DOCUMENT RETENTION**

### **23.1. Filing systems**

Finance files and documents must be kept in a clear and organised way, so that all important documents are kept securely, and individual documents can be found easily. This means that:

- All files will be clearly labelled
- Documents within each file will be kept in a logical order (e.g., numerical order for vouchers or date order)
- Supporting documents will be attached to each voucher
- Files will be kept in the finance office, or in a locked storeroom.

Financial files kept at by the PMU and PIUs will include:

- Voucher files (for all payment, receipt, petty cash, and journal vouchers)
- Bank files (with bank correspondence, bank statements and bank reconciliations)
- Petty cash counts and reconciliations
- Annual workplans and budgets
- Contracts (for goods, civil works, and consultants)
- Financial reports
- Annual project financial statements and external audit reports
- Internal audit reports
- ADB withdrawal applications
- Counterpart fund withdrawals

### **23.2. Digital files**

Financial information kept on digital files will include:

- Accounting data (in the accounting software and excel)
- Supporting documents for accounting data as described in section 23.3 above
- Financial reports
- Financial registers
- Emails, correspondence, and other miscellaneous data

Controls over digital files include:

- Computers and accounting software should be password protected to prevent unauthorised access
- Digital files should be saved on file servers or the cloud, not only on computer hard drives
- Regular back-ups will be made of digital files saved on file servers

### **23.3. Document retention**

Finance documents for previous years may be kept in an archive or storeroom. The finance documents must be kept for at least 1 year following receipt by ADB of the final APFS or 2 years after the loan closing date, whichever is later to comply with ADB guidelines. All Project records must be kept and available for audit until explicit instructions have been received to the contrary.