Annex 15: Governance and Accountability Action Plan

Overview

1. The Government Financial Management and Revenue Administration Project (GFMRAP) aims to strengthen efficiency and integrity in public financial management and resource mobilization in Indonesia, principally through strengthening governance, accountability and transparency. The Project incorporates a set of inter-related activities spanning a number of central government agencies, including the legislature. The multiplicity of implementing agencies coupled with the inherently weak internal control mechanisms currently in place create substantial governance, procurement and fiduciary risks for the Government of Indonesia (GOI). This is particularly relevant because a significant portion of the project funds will finance large contracts involving information technology, which are especially susceptible to collusion and other types of procurement irregularities. The remaining project costs will be spent on technical assistance, training and workshops. Experience has shown that difficulty in measuring the output of such expenditures also makes them vulnerable to fraud and lapses in internal control.

Objective

2. The objective of the Governance and Accountability Action Plan (GAAP) is to present mechanisms to strengthen management control over the Project, mitigate the risk of corruption, collusion and nepotism (KKN) and fraud and to ensure that project objectives are achieved. This action plan (i) maps the potential risks arising from the fragile project governance and accountability environment, (ii) presents mechanisms integrated into the Project Management Manual (PMM) to address these risks, and (iii) designates responsibility for implementing these mechanisms to particular project units. The GAAP seeks to demonstrate the seriousness of the GOI, and more specifically, the Ministry of Finance (MOF), Bappenas (the National Planning and Development Agency) and the DPR (the People’s Representative Assembly of Indonesia) to strengthen efficiency, effectiveness, transparency and integrity in public financial management and revenue mobilization across all levels of government. Thus, the GAAP should not be viewed as a 'stand-alone' feature, but an integral part of the Government’s overall reform agenda.

Strategy

3. The GFMRAP Team recognizes the inherent weaknesses of a project that cuts across a number of Echelon-1 units within one ministry, let alone a project that traverses several ministries, and intersects both the executive and the legislature in a high-risk environment. The project proposes to address these limitations in a systematic manner, actively promoting greater transparency, accountability and integrity through smart project design. These actions can be summarized as follows:

   a) Governance & Accountability Project Component: An entire component of the GFMRAP has been designated to strengthen entities functioning as strategic checks and balances in the broader governance and accountability framework.

   b) Project Implementation Arrangements: Project implementation arrangements combine a mix of centralized responsibility and decentralized arrangements to facilitate efficient, effective and accountable procurement execution, contract management and monitoring of project outcomes.

   c) Building Strong Task Teams with Effective Tools: Project management and technical teams shall be selected based on their skills, provided with further training and supported by highly qualified technical experts.
d) Results-Oriented Monitoring and Evaluation (M&E) Framework and Action Plan: A results-oriented M&E framework and action plan has been developed for the GFMRAP to track progress and demonstrate the impact of project activities and implementation arrangements, including the effectiveness of the GAAP in achieving its objective.

e) Enhanced disclosure and transparency: A proactive attitude and approach has been adopted relating to transparency and public dissemination of project-related information, including through the implementation of a project communication strategy under a specialized project communication advisor.

f) Civil Society Oversight and Involvement: The project involves a high degree of participation and oversight by civil society groups aimed at reducing the risk of KKN, fraud and misuse of power.

g) Strengthened Procurement Guidelines and Procedures: Detailed procurement guidelines will be implemented to promote efficient and timely procurement, and minimize procurement-associated risks.

h) Due Diligence by Government and Disclosure by Bidders and Consultants: Comprehensive disclosure requirements have been introduced to eliminate corrupt and fictitious firms and/or individuals of low personal integrity participating in the project activities as consultants.

i) Specific Measures Related to the SPAN (State Treasury and Budget System): In acknowledgement of the high procurement risk posed by high-value turn-key information systems, additional measures such as independent verification and validation have been introduced for the SPAN acquisition.

j) Strengthened Financial Management Guidelines and Procedures: Detailed procedures for strengthened financial controls, including payment validation procedures, have been designed for all project activities to mitigate fiduciary risks.

k) Complaints Handling Mechanisms: A Complaints Handling Unit (CHU) shall be responsible for acting on all project complaints in a professional and timely manner, with the utmost integrity and without any risk of reprisal to 'whistleblowers' either from within Government or those from the private sector/civil society.

l) Sanctions & Remedies: The project has zero tolerance for KKN and fraud. Any suspicion of such practices shall warrant immediate investigation with severe penalties for any party found culpable of such practices.

**Critical Success Factors**

4. **Ownership and Support.** The success of the GFMRAP depends on continued support from many actors ranging from the MOF - DG Treasury, DG Budget and Fiscal Balance, DG Customs and Excise, DG Tax, the Inspector General, the Agency for Economic and Financial Research and International Cooperation – to the Tax Court, Bappenas, DPR and selected pilot line ministries, as well as civil society. Consultants, contractors and auditors will also play important roles in the project.

5. **Periodic Review.** Strengthened project procedures and guidelines will not eliminate efforts to engage in corrupt and fraudulent activities. It is highly conceivable that some vested interests will seek to adapt and discover new methods to maintain their position. The GFMRAP Team shall constantly review GAAP implementation and, if necessary, revise the GAAP at least every 6 months to incorporate lessons learnt throughout project implementation. Indeed, the main purpose of this project is to develop and institutionalize improved governance mechanisms in the
fields of public financial management and revenue mobilization, consistent with the Government’s reform agenda.

PART II: MITIGATION MEASURES

Governance & Accountability Project Component

- The GFMRAF Team shall incorporate in their reform strategy activities to strengthen those entities functioning as strategic checks and balances in the broader governance and accountability framework of public financial management and revenue mobilization including:
  - Strengthening the parliament’s capacity for budget analysis and oversight;
  - Strengthening the efficiency of revenue dispute resolution through the Tax Court;
  - Strengthening the internal accountability of the MOF through the Office of the Inspector General.

Project Implementation Arrangements

- Separate Terms of References (TORs) delineating the roles and responsibilities for all project units as well as key project personnel shall be prepared by the GFMRAF Team, agreed with the World Bank, included in the Project Management Manual (PMM), and shall form the basis for annual reviews of project governance and accountability arrangements.

- Appropriate procedures/guidelines relating to all project units pertaining to, but not limited to, matters of procurement, financial management and reporting, record keeping, complaints handling and M&E shall be prepared and periodically reviewed by the GFMRAF Team and be included in the PMM.

- The PSSU Procurement Committee shall be responsible for all project sub-component procurement activities with the exception of Procurement Reform and Bappenas’ activities under the Budget Planning and Development sub-components of the Public Financial Management component.

- Procurement activities related to Bappenas’ project sub-components shall be the responsibility of the Bappenas Procurement Committee.

- The PIUs shall remain responsible for the management and verification of progress of contracts under their respective project sub-component, linking accountability for project outcomes directly to the respective government spending unit.

- The Working Committee shall appoint, where necessary, a Technical Working Group to assist the various PIUs complete technical verification of consultant outputs.

Building Strong Task Teams With Effective Tools

- The Working Committee shall establish clear criteria in the PMM for selection of procurement committee members for all project sub-components (these criteria will be reviewed every six months and amended as necessary);

- The procurement teams located in the PSSU and Bappenas will:
  - Undergo training prior to project effectiveness and, if necessary, thereafter in World Bank procurement guidelines and Government procurement regulations to ensure compliance with such processes;
• Be jointly supported by a team of highly qualified procurement consultants who will provide expert assistance and strengthen internal project capacity in, but not limited to, the preparation of advertisements and tender documents, evaluation of bids, conduct of negotiations, timely preparation of contracts, submission of procurement-related reports, and maintaining procurement records to ensure smooth, timely and efficient procurement.

• The financial management teams at both the PSSUs and the PIUs will:
  
  o Undergo training on financial management and reporting, including the preparation and utilization of World Bank's Financial Monitoring Reports (FMRs). The FMR will provide an opportunity to strengthen fiduciary oversight by integrating procurement, implementation and financial management.

  o Be jointly supported by a financial management consultant, or team as needed, to provide expert assistance and build internal project capacity as necessary in the proper conduct of the financial management and reporting related tasks in accordance with the procedures defined in the PMM.

  o The PSSU Project Director shall be supported by a team of at least two experienced MOF Echelon-IV staff with accounting/financial management qualifications to handle the financial management aspects of project implementation. The orders appointing these staff will be issued prior to negotiations. Their tasks and responsibilities will be clearly defined in TORs agreed to in the PMM.

• The Working Committee shall be supported by a Change Management and Communication Team to implement a comprehensive communications strategy, disseminate information on, and mitigate resistance to the objectives and activities of the project.

Results-Oriented Monitoring and Evaluation (M&E) Framework and Action Plan

• The Steering Committee shall sign-off on, and monitor, the project and sub-component results-oriented M&E indicators as part of the GFMARAP result-oriented M&E framework and action plan, including those to evaluate the effectiveness of the GAAP in achieving its objective.

• The Working Committee shall:
  
  o Develop, monitor and review the project and sub-component results-oriented M&E indicators as part of the GFMARAP result-oriented M&E framework and action plan, including those to evaluate the effectiveness of the GAAP in achieving its objective;

  o Review consolidated M&E reports, particularly in relation to the implementation of the GAAP, to track progress and demonstrate the impact of project activities and implementation arrangements.

• All PIUs shall be responsible for the collection and collation of data to formulate M&E baselines and compile reports.

• The PSSU shall be responsible for the collection and consolidation of reports submitted to the PSSU and distribution to the GFMARAP Team.

Enhanced Disclosure and Transparency

• The PSSU shall:
• Establish and maintain a GFMRAP website which provides updated information on project activities and can be accessed by the general public;

• Arrange the provision of an electronic link between the websites of the Ministry of Finance, Bappenas, the Tax Court, the Office of the Secretary General of the DPR and pilot line ministries (Kimpraswil, Agriculture, Health and Education) with that of the project.

• The procurement committees will promptly make publicly available, through the project website:
  
  o All annual procurement plans and schedules, including all updates thereof;

  o All short-lists of consultants (individuals and firms) together with the names and dates of all expressions of interests received;

  o In the case of pre-qualification, all lists of pre-qualified contractors and suppliers together with the names and dates of proposals received;

  o All bidding documents and requests for proposals issued in accordance with the procurement provisions of this agreement.

• The GFMRAP Team will promptly make publicly available, through the project website:

  o All annual audit reports (financial or otherwise, and including qualified audit reports) and audit management letters prepared in accordance with the financing agreements for this project, and all formal responses and follow-up actions of the government; the disclosure of audit reports will be completed not later than 30 days after receipt of these reports by project management.

  o All World Bank mid-term review reports prepared for this purpose, in accordance with this agreement.

• The PSSU will make available to any member of the public, promptly upon request, any of the documents posted on the GFMRAP website in accordance with the procurement provisions of this agreement, subject to payment of a reasonable fee to cover the cost of printing and delivery.

• The PSSU will post information relating to the printing and delivery fee (and acceptable modes of payment) of all documents posted on the project website.

• The GFMRAP Team, through its Change Management and Communications Program, shall hold periodic workshops and seminars, with participation from reputable civil society organizations, respected universities, professional associations and others, with the aim of increasing public awareness of the project objectives, and to disseminate information on the progress and accomplishments of the different sub-components.

• The PSSU shall advertise any periodic workshops and seminars on project objectives and activities under the Change Management and Communications Program in national newspapers and local newspapers in accordance with the guidelines outlined in the PMM.

_Civil Society Oversight and Involvement_

• The GFMRAP Steering Committee will invite at least three civil society representatives to participate in the Project Advisory Committee.

• The Head of the PSSU and Bappenas PIUs will invite a representative from an independent and reputable CSO to act as Observer in all Project Procurement Committee meetings;
• The procurement committees will invite representatives from reputable civil society organizations, respected universities, professional associations and others to:
  o Witness bid openings for ICB and QCBS contracts;
  o Participate as trainers/resource persons in training programs and/or seminars in relation to the various GFMRAP sub-components;

• Representatives from reputable CSOs, respected universities, professional associations and others may be invited by the Head of the respective Procurement Committee to serve as resource persons during specified procurements, particularly those relating to the SPAN, the systems database and MIS systems for the Tax Court, the two largest procurements (by value) for the Secretariat General of the DPR, and the two largest procurements (by value) for the DGCE.

**Strengthened Procurement Guidelines and Procedures**

• The Working Committee shall develop (and, as needed, revise) a standard format/template for all advertisement and criteria for acceptable newspapers with sufficient circulation for placement of advertisements.

• The PIUs shall:
  o Conduct surveys on available products and their prices in the market and the alternative of hiring consultants for procurement of complex goods/equipments/works/services to define the specification/TOR;
  o Use uniform specifications for procurement of standard items;
  o Prepare any specifications to be included in RFPs/Invitations to Bid.

• The procurement committees shall:
  o Place Specific Procurement Notices (SPN) in local media as outlined in the PMM and, where necessary, on the UNDB and DgMarket websites;
  o Specify within any SPN/Invitations to Bid, the requirement for all proposals to include clear and detailed specifications and cost breakdowns for all proposals
  o NOT impose any restrictions (geographic or otherwise) to limit the participation of consultants/bidders;
  o Invite representatives of end-user and CSOs to attend bid openings;
  o Prepare and maintain reports of bid openings for all contracts subject to prior review by the World Bank;
  o Seek at least three quotations in cases of shopping;
  o File and maintain procurement documents in accordance with PMM guidelines.

• The PSSU shall:
  o Post all SPN and information on all bid opening on the GFMRAP website;
  o Maintain, and annually publish on the GFMRAP website, a project price data-base of commonly procured items (including office supplies) from previous competitively tendered contracts.

**Due Diligence by Government and Disclosure by Bidders**

• The GFMRAP Procurement Committees shall:
Explicitly state in all SPNs for all procurements valued at or more than US$100,000 the requirement for all firms to submit as part of their proposal their full particulars including:

1. The postal and email address, telephone and fax numbers, URL of the registered office, and address of the principal place of business if different from the registered office;
2. The names, addresses and telephone and fax numbers of all partners and shareholders who hold a 10% or greater share in the firm;
3. The names, addresses and telephone and fax numbers of all principal officers of the firm;
4. An explicit disclosure of interest, if any Echelon I, II or III officials of the MOF, Bappenas, Tax Court or DPR, as the case may be, or their close relations, are partners, shareholders or employees of the firm;
5. A banker’s opinion statement of the firm.

Have the right to reject a firm’s proposal if any of the above information is not disclosed;

Require all individual consultants to disclose a signed statement of any relationship up to the third degree with any Echelon I, II or III official from the MOF, Bappenas, Tax Court or DPR, as the case may be;

Be responsible for conducting adequate checks and due diligence on any information and/or signed statements provided by firms and individual consultants.

Specific Measures Relating To The SPAN (State Treasury and Budget System) Acquisition

- The Steering Committee will:
  o Establish a Functional Team comprising of representatives of MOF units, Bappenas and pilot line ministries to oversee the work of both the preparatory consultant team (the Consortium) and the SPAN turnkey solution providers, for continuity, accountability and capacity building – the establishment of such a team through an appropriate order shall be a condition of effectiveness of the Project;
  o Accept and sign-off on the user and technical requirements as well as the SPAN bid document;
  o Oversee the entire two-stage bidding process;
  o If necessary, advise the procurement committee during contract negotiations;
  o Supervise and provide constant inputs and suggestions to the drafting of regulations under the Laws on State Finances and Treasury to ensure business processes are designed to minimize risks of delay and KKN.

- The SPAN Functional Team will:
  o Provide inputs and validate the user and technical requirements being developed by the preparatory consultant team;
  o Thoroughly review the draft bid documents that will embody the new system specifications.

An Independent Verification and Validation (IV&V) Team will:

- Independently verify and validate progress against specific acceptance criteria and sign-off stages within the turn-key solution provider's contract;
- Conduct post-implementation reviews at an agreed number of sample locations;
- Provide facilitation and mediation between the Government and the turn-key solution provider if necessary;
- Be responsible for highlighting in advance the implementation issues and potential disputes that may threaten the successful outcome of the project component;
- Recommend remedial measures wherever such issues and potential disputes arise.

**Strengthened Financial Management and Payment Validation**

- The PSSU and PIUs shall:
  - Require written confirmation by relevant working groups of progress against agreed deliverables in project contracts before payments to contractors are released;
  - Require verification of satisfactory completion of any workshops and training activities prior to reimbursement of any expenses incurred by the participants or the Project;
  - Require signature of at least 2 authorized individuals outlined in the PMM for any withdrawals of funds from the PSSU/PIU's bank account;
  - Require minimal document requirements for payment authorization, to be retained at the PIU and attached to payment voucher (SPP) for audit purposes, even if not required to be submitted to the KPPN:
    1. Formal invoices on company letterheads, with complete contract addresses and tax registration number;
    2. For individual consultants, copies of ID cards (KTP) to be appended to invoices;
    3. For claims for reimbursable expenses as specified in the contract, original third party invoices & receipts (including travel tickets, hotel bills, contracts for rental of office equipment, receipts for operating expenses);
    4. For goods, warrant cards, evidence of delivery (packing list or transportation documents or 'surat jalan') and acceptance, and certificate of origin if imported;
    5. For training, workshops and seminars, signed list of attendees and photographs from events.

- The PIUs shall submit standardized monthly progress reports to the PSSU including information concerning contractor contracts, implementation progress, project-related workshops and other activities, financial operations, and basic data related to the number, typology and status of complaints.

- The PSSU shall be responsible for:
  - Preparation and submission of consolidated monthly progress and financial report to the GFMRAP Team;
  - Publishing the consolidated monthly progress and financial report on the GFMRAP website.
Complaints Handling Mechanisms

- The Working Committee shall periodically review the effectiveness of the complaints handling mechanism for the project, particularly provisions for follow-up investigations of serious and unresolved complaints by the internal auditors, and/or third party audit to ensure independency and reliability of the system.

- The Complaints Handling Unit (CHU) shall:
  - Administer a project telephone ‘hotline’, a dedicated email address and PO Box to facilitate submission of complaints;
  - Act with the highest integrity in maintaining the anonymity of all parties registering complaints;
  - Record and maintain a log of complaints received against the Project;
  - Respond to all complaints received, in an automatic standardized format, within 7 days of receipt;
  - Refer, as necessary, any complaints to the appropriate PIU, copying the GFMRAP Team and the World Bank Task Team Leader;
  - Track the status of investigations and measures taken and disclose such information in monthly reports to the GFMRAP Team and the World Bank.

- The PSSU will:
  - Post information on the GFMRAP website regarding the project’s complaint handling mechanisms;
  - Provide the CHU with a web-based complaint registering service to facilitate anonymous complaints.

Sanctions & Remedies

- The GFMRAP Team requires the ministry/institution concerned to take action, including prosecution, against staff involved in KKN, as part of participation under the project umbrella.

- The GFMRAP Team will encourage a system of blacklisting for companies that engage in collusion or have produced unacceptably poor quality results.

- The GFMRAP Team shall apply a ‘one-strike’ policy to all contractors and consultants - any case of complicity in KKN and/or fraud will lead to dismissal, disqualification from all further project activities and possible prosecution.

- The GFMRAP Steering Committee may drop/discontinue an entire sub-component if it fails to properly deal with issues of KKN and/or fraud.
<table>
<thead>
<tr>
<th>No</th>
<th>Description of Activities</th>
<th>Possible Risks (incl. Corruption)</th>
<th>Actors</th>
<th>Risk Level</th>
<th>Actions to Mitigate Risk</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>Overall</td>
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|    | - Weak governance structures
    | - Poor accountability
    | - Low transparency
    | - Multiplicity of actors
    | - Large amount of TA, training, seminars and workshops
    | - Significant business process reengineering | - Delayed project implementation
    |                                  | - Vested interests working against project
    |                                  | - KKN
    |                                  | - Reputational risks for Government, Ministry of Finance, Bappenas and the DPR | - All project parties | High | - Separate TORs delineating the roles and responsibilities for all project units as well as key project personnel shall be prepared and revised by the GFMRAP Team, included in the PMM, and shall form the basis for annual performance review
    |                                  |                                  | |            | - Appropriate procedures/guidelines relating to all project units pertaining, but not limited to, matters of procurement, financial management and reporting, record keeping, complaints handling and M&E shall be prepared and periodically reviewed by the GFMRAP Team and be included in the PMM
    |                                  |                                  | |            | - GFMRAP Team shall be supported by a Change Management and Communication Team to implement a comprehensive “socialization” strategy, disseminate information on, and mitigate resistance to activities and objectives of the project
    |                                  |                                  | |            | - The PSSU will establish and maintain a GFMRAP website, directly accessible from the respective websites of MOF, Bappenas and Office of the Secretary General of the DPR that can be accessed by the general public providing prompt public availability of project documentation incl:
    |                                  |                                  | |            | (i) All annual procurement plans and schedules and updates thereof
    |                                  |                                  | |            | (ii) All annual audit reports, audit management letters, formal responses and follow-up actions within 30 days of issuance
    |                                  |                                  | |            | (iii) All World Bank mid-term review reports
    |                                  |                                  | |            | - The PSSU will make available to any

27 Criteria, guidelines and procedures stated under "Actions to Mitigate Risk" are included in the Project Management Manual.
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<td>member of the public promptly upon request any of the documents posted on the GFMRAP website in accordance with the procurement provisions of this agreement, subject to payment of a reasonable fee to cover the cost of printing and delivery as posted on the project website</td>
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<td>- The GFMRAP Team will engage representatives from an independent and reputable CSO to be involved in the Project Steering Committee</td>
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<td>- The Steering Committee shall sign-off and monitor the project and sun-component results-orientated M&amp;E indicators as part of the GFMRAP result-orientated M&amp;E framework and action plan, including those to evaluate the effectiveness of the GAAP in achieving its objective</td>
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<td>- A Complaints Handling Unit responsible for handling complaints related to all project activities, maintaining a project complaints log and monitoring the status of complaint processing (see 5)</td>
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<td>- Strengthened corrective actions against staff, consultants and suppliers involved in KKN, including prosecution, as part of participation under the project umbrella incl. dismissal, disqualification and blacklisting of firms and individuals from all further project activities and possible prosecution</td>
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2. Procurement

2.1 Selection of procurement committee:

- Delays to project implementation and activities
- Poor evaluation of consultant/bidder's
- Head of PIU (as responsible for appointing the procurement

High

- The WC shall develop/review a clear criteria for selection of procurement committee members for all project sub-components
- The head of the project implementation
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</table>
|    | based on capacity and integrity | qualifications  
- Easy to influence committee decisions to favor particular bidders | committee) and their superiors | units will engage a representative from an independent and reputable CSO to be involved in the GFMRAP procurement committees to act as observers and provide written feedback to the Chair of the SC, the Head of the Sub-component and the PSSU on adherence to the procurement rules, issues if any and suggestions for greater transparency  
- All procurement committee members will undergo training in World Bank and Government procurement regulations to ensure compliance in such regulations  
- All procurement committees will be supported by a team of highly qualified procurement specialists located in the PSSU to provide expert assistance and build internal capacity | |
| 2.2 | Preparation of owner estimates:  
- Lack of information on cost of goods/services | Difficult to determine reasonableness of original estimates and owner estimates  
- Inclusion of mark-ups in cost estimate figures leaked to bidders and fed into proposal cost estimates  
- Collusion between bidders and/or project staff | PSSU  
Procurement Specialists  
Procurement committee members  
Head of PIU and their superiors (in so far as can influence members of the procurement teams)  
Bidders | High | The PSSU will maintain and annually publish on the GFMRAP website a project price data-base of commonly procured items (incl. office supplies) from previous competitively tendered contracts  
- CSO involvement (see 2.1)  
- Training for procurement committee members (see 2.1)  
- Expert procurement support (see 2.1)  
- Strengthened corrective actions (see 1) |
| 2.3 | Preparation of bidding documents:  
- Lack of capacity to formulate specifications | Criteria/specifications are made to suit a certain bidder  
- Collusion between bidders and/or project staff  
- Low level of technical expertise of consultant and/or | Procurement committee members  
Head of PIU and their superiors (in so far as can influence members of the procurement teams) | Medium | PIU to conduct surveys on available products and the alternative of hiring consultants for procurement of equipment/goods/works/services to define the specifications/TORs  
Sub-component coordinator to prepare activity specifications  
Use of standard specifications for |
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<td>Poor quality of deliverables/goods</td>
<td>Bidders</td>
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<td>Procurement of standard items</td>
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<td>- Independent validation of bidding documents for specific contracts where necessary</td>
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<td>- CSO involvement (see 2.1)</td>
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<td>- Strengthened corrective actions (see 1)</td>
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<td>2.4</td>
<td>Advertisements</td>
<td>Limited competition for project activities</td>
<td>PSSU staff</td>
<td>Medium</td>
<td>The procurement committees shall not impose any geographic or other restrictions to limit the participation of interested parties</td>
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<td>- Collusion between bidders and/or project staff</td>
<td>Procurement</td>
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<td>- The WC shall establish/revise a standard format for advertisement of all SPNs</td>
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<td>- Low level of technical expertise and/or poor quality</td>
<td>committee members</td>
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<td>- The WC shall establish/revise criteria for acceptable newspapers with sufficient circulation for placement of SPNs</td>
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<td>of deliverables/goods</td>
<td>Head of PIU and</td>
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<td>- The PSSU shall post all SPNs on the GFMRAP website</td>
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<td>their superiors (in so far as can influence members of the procurement teams)</td>
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<td>- The procurement committee shall place an SPN in local media as outlined in PMM and on the UNDB and DgMarket websites</td>
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<td>- CSO involvement (see 2.1)</td>
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<tr>
<td>2.5</td>
<td>Bid / proposal preparation:</td>
<td>Inflation of cost estimates in the quotations/proposals</td>
<td>Bidders</td>
<td>High</td>
<td>Guidelines for advertising in newspapers, GFMRAP website, and UNDB and DgMarkets to ensure maximum competition (see 2.4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Low level of technical expertise and/or poor quality</td>
<td>Procurement</td>
<td></td>
<td>- Minimize possibility of meetings between bidders by avoiding pre-bid meetings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of deliverables/goods</td>
<td>committee members</td>
<td></td>
<td>- Strengthened corrective actions (see 1)</td>
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<td>Head of PIU and</td>
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<td>their superiors (in so far as can influence members of the procurement teams)</td>
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<tr>
<td>2.6</td>
<td>Receipt of EOI/Bids:</td>
<td>EOI/Bids temporarily or permanently misplaced/</td>
<td>Procurement</td>
<td>High</td>
<td>Single mail address for all EOI/bids</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>committee members</td>
<td></td>
<td>CSO involvement (see 2.1)</td>
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<tr>
<td>No</td>
<td>Description of Activities</td>
<td>Possible Risks (incl. Corruption)</td>
<td>Actors</td>
<td>Risk Level</td>
<td>Actions to Mitigate Risk</td>
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<tr>
<td>receiving EOI/proposals/ bidders in respective PIUs</td>
<td>lost</td>
<td>- PIU staff - Bidders</td>
<td>-</td>
<td>Medium</td>
<td>- Complaints handling mechanism (see 5) - Strengthened corrective actions (see 1)</td>
</tr>
<tr>
<td>2.7 Bid Opening</td>
<td>- ‘Public’ bid openings attended only GFMRAAP staff and restricted bidder representatives</td>
<td>- Manipulation of public bid opening records</td>
<td>- Procurement committee members - Head of PIU and their superiors (in so far as can influence members of the procurement teams)</td>
<td></td>
<td>- The procurement committee shall invite representatives from reputable CSOs, respected universities, professional associations and others to witness bid openings for ICB and QCBS contracts - The procurement committee shall require representatives of the user to witness bid openings - The PSSU shall post all bid opening records on the GFMRAAP website within 1 week of bid opening - The Ministry’s internal auditors (IG) to include in their work program a review of GFMRAAP procurements and contracts. MOF to share significant findings with the Steering Committee and the World Bank.</td>
</tr>
<tr>
<td>2.8 Shortlisting &amp; Evaluation:</td>
<td></td>
<td>- Collusion between bidders and/or project staff - Low level of technical expertise and/or poor quality of deliverables/ goods - Delays in evaluation process creating opportunities for KKN</td>
<td>- Procurement committee members - Head of PIU and their superiors (in so far as can influence members of the procurement teams)</td>
<td>High</td>
<td>- Procurement committee shall seek at least three quotations for procurement of any goods through shopping - Procurement committee to prepare a work plan covering evaluation and negotiation abiding to service standards established within the PMM - The procurement committees to require clear breakdown of items, specifications and prices within all proposals - Representative from a reputable CSOs, respected universities, professional associations and others may be invited by the Head of the respective Procurement Committee to serve as resource persons during the procurement of specific assignments, particularly those relating to the SPAN, the systems database and MIS systems in the Tax Court and the DPR Secretariat General.</td>
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<tr>
<td>No</td>
<td>Description of Activities</td>
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|    |                           |                                   |        |            | - Higher standards for due diligence for small contracts (below USD100,000), outlined in a contract’s SPN, requiring an explicit disclosure of interest, if any Echelon I, II or III officials of the MOF, Bappenas, Tax Court or DPR as the case may be, or their close relations, are partners, shareholders or employees of the firm  
|    |                           |                                   |        |            | - Higher standards for due diligence relating to large contracts (above USD100,000), outlined in a contract’s SPN and RFP, with each firm required to submit as part of its proposal:  
|    |                           |                                   |        |            | (i) The postal and email addresses, telephone and fax numbers and URL of the registered office and principal place of business (if different to the former)  
|    |                           |                                   |        |            | (ii) The names, addresses and telephone and fax numbers of all partners and shareholders who hold 10% or greater share of the firm;  
|    |                           |                                   |        |            | (iii) The names, addresses and telephone and fax numbers of the principal officers of the firm;  
|    |                           |                                   |        |            | (iv) An explicit disclosure of interest, if any Echelon I, II or III officials of the MOF, Bappenas, Tax Court or DPR, as the case may be, or their close relations, are partners, shareholders or employees of the firm; and  
|    |                           |                                   |        |            | (v) A banker’s opinion statement of the firm. MOF will have the right to reject a firm’s proposal if such information is not disclosed  
|    |                           |                                   |        |            | - Procurement committees required to provide a narrative justification for each shortlisted firm/individual  
|    |                           |                                   |        |            | - PSSU to submit evaluation reports to World Bank for prior review for all contracts above [agreed value]  
<p>|    |                           |                                   |        |            | - CSO involvement (see 2.1) |</p>
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<tr>
<th>No</th>
<th>Description of Activities</th>
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<th>Actions to Mitigate Risk</th>
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<tr>
<td>2.9</td>
<td>Award &amp; negotiation</td>
<td></td>
<td></td>
<td></td>
<td>Training for procurement committee members (see 2.1)</td>
</tr>
<tr>
<td></td>
<td>- Lack of experience in conducting negotiations</td>
<td>- KKN</td>
<td></td>
<td>High</td>
<td>Expert procurement support (see 2.1)</td>
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<td></td>
<td>- Lengthy negotiation process which provides opportunity for collusion and corrupt practices</td>
<td>- Delays to implementation of project activities</td>
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<td></td>
<td>Strengthened corrective actions (see 1)</td>
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<td></td>
<td></td>
<td>- Procurement committee members</td>
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<td>- Procurement committee to prepare a workplan covering evaluation and negotiation abiding to service standards established within the PMM</td>
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<td>- Head of PIU and their superiors (in so far as can influence members of the procurement teams)</td>
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<td>- Clear guidelines on how to conduct negotiations/ clarifications shall be detailed in the Project Management Manual</td>
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<td>- Bidders</td>
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<td>- CSO involvement (see 2.1)</td>
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<td>- Training for procurement committee members (see 2.1)</td>
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<td>- Expert procurement support (see 2.1)</td>
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<td></td>
<td>- Strengthened corrective actions (see 1)</td>
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<tr>
<td>2.10</td>
<td>Procurement Filing:</td>
<td>- Inability to audit procurement process</td>
<td></td>
<td>Medium</td>
<td>Clear guidelines on procurement filing outlined in PMM</td>
</tr>
<tr>
<td></td>
<td>- Procurement documents are intentionally poorly maintained to cover up corrupt practices</td>
<td>- Procurement committee members</td>
<td></td>
<td></td>
<td>- Strengthened corrective actions (see 1)</td>
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<td></td>
<td>- Head of PIU and their superiors (in so far as can influence members of the procurement teams)</td>
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<td>3.1</td>
<td>Evaluation of deliverables</td>
<td>- Collusion among actors</td>
<td></td>
<td>High</td>
<td>Approval of outputs/ deliverables shall be done and certified by project staff or other party or parties who are technically competent</td>
</tr>
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<td></td>
<td>- Absence of mechanism for evaluating performance/ output/deliverables</td>
<td>- Acceptance of unsatisfactory quality of deliverables and/or uncompleted contract</td>
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<td></td>
<td>- The PIUs shall remain responsible for the management and verification of progress of contracts under their respective project sub-</td>
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<td></td>
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<td>- Technical Working Groups</td>
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<td>- PIU</td>
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<td>No</td>
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<td>Actions to Mitigate Risk</td>
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<td></td>
<td></td>
<td>Collusion amongst actors</td>
<td>PIU staff</td>
<td>High</td>
<td>- All project financial management staff will undergo training in financial management, including preparation and utilization of World Bank’s FMR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consultant’s progress billings are paid even though they have not been productive in accordance with predetermined milestones or the agreed TOR</td>
<td>Head of PIU and their superiors (in so far as can influence PIU staff)</td>
<td></td>
<td>- All project financial management staff will be supported by a highly qualified financial management team located in the PSSU to provide expert assistance and build internal capacity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consultant work completion is fraudulently certified</td>
<td>Consultants</td>
<td></td>
<td>- Consultants shall be required to submit monthly performance reports which shall be evaluated by the PIU and technical working group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consultant claims for reimbursable expenditure are fraudulently claimed</td>
<td></td>
<td></td>
<td>- Minimal documents requirements for payment authorization, to be retained at the PIU and attached to payment voucher (SPP) for audit purposes, even if not required to be submitted to the KPPN:</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• (i) Formal Invoices on company letterheads, with complete contract addresses and tax registration number</td>
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<td></td>
<td>• (ii) For individual consultants, copies of ID cards (KTP) to be appended to invoices</td>
</tr>
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<td></td>
<td>• (iii) For claims for reimbursable expenses as specified in the contract, all claims to be supported by original third party invoices &amp; receipts (incl travel tickets, hotel bills, contracts for rental of office equipment,</td>
</tr>
</tbody>
</table>

4. Payment Validation & Internal controls

4.1 Payment of progress and/or final billings for TA

- Weak or non-existent internal controls for assessing progress and/or completion of TA deliverables
<table>
<thead>
<tr>
<th>No</th>
<th>Description of Activities</th>
<th>Possible Risks (incl. Corruption)</th>
<th>Actors</th>
<th>Risk Level</th>
<th>Actions to Mitigate Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Collusion among actors</td>
<td></td>
<td>High</td>
<td>receipts for operating expenses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bills for deliveries of substandard/poor quality goods are approved for payment</td>
<td></td>
<td></td>
<td>(iv) Written confirmation by relevant working group of progress against deliverables</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bills are approved for payment for goods not actually received</td>
<td></td>
<td></td>
<td>- Bill payments shall be verified for accuracy and completeness by PIU Treasurer and authorized by project staff who are not involved in evaluating consultant performance or certifying accepting deliverables</td>
</tr>
<tr>
<td>4.2</td>
<td>Payment for procurement of goods</td>
<td>PIU staff</td>
<td></td>
<td></td>
<td>- Company Bank accounts to receive authorized payments under the contract should be clearly stated in the contract and invoices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Head of PIU and their superiors (in so far as can influence PIU staff)</td>
<td></td>
<td></td>
<td>- Complaints handling mechanism (see 5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contractor/suppliers</td>
<td></td>
<td></td>
<td>- Strengthened corrective actions (see 1)</td>
</tr>
</tbody>
</table>

- Minimal documents requirements for payment authorization, to be retained at the PIU and attached to payment voucher (SPP) for audit purposes, even if not required to be submitted to the KPPN:
  1. Formal Invoices on company letterheads, with complete contract addresses
  2. Tax registration numbers to be stated on invoices issued by firms
  3. Original supplier invoices on letterheads with full addresses and tax numbers
  4. Copies of warranty cards
  5. Technical specifications sheet
  6. Evidence of delivery (packing list or transportation documents or ‘surat jalan’) and acceptance
  7. For imported goods, certificate of origin

- Bill payments shall be verified for accuracy and completeness by PIU Treasurer and authorized by project staff who are not involved in receipt and verification of goods
<table>
<thead>
<tr>
<th>No</th>
<th>Description of Activities</th>
<th>Possible Risks (incl. Corruption)</th>
<th>Actors</th>
<th>Risk Level</th>
<th>Actions to Mitigate Risk</th>
</tr>
</thead>
</table>
| 3.3 | Payment for training, seminars and workshops expenditures:  
- Weak or non-existant internal mechanisms for monitoring the actual conduct of training, seminar and workshops  
- Charges are made for training, seminar and workshop activities which did not take place  
- Charges are made for more than the actual number of training days  
- Charges are made for more persons than actually participated in the training  
- Charges are made for expenditures not incurred using fictitious supporting documents | - PIU staff  
- Head of PIU and their superiors (in so far as can influence PIU staff) | High | - Minimal documents requirements for payment authorization, to be retained at the PIU and attached to payment voucher (SPP) for audit purposes, even if not required to be submitted to the KPPN:  
6.(i) Signed list of attendees  
7.(ii) Hotel invoices  
8.(iii) Travel receipts, tickets and boarding passes  
9.(iv) Photos of activities  
- Involve reputable CSO, respected universities, professional associations and others to participate in and monitor training activities and/or seminars  
- Bill payments shall be verified for accuracy and completeness by PIU Treasurer and authorized by project staff who are not involved in training activities  
- Training for financial management staff (see 4.1)  
- Expert financial management support (see 4.1)  
- Strengthened corrective actions (see 1) | |
| 3.4 | Payment of travel expenditures  
- Weak or non-existant internal controls for travel which did not take place through the use of | - PIU staff  
- Head of PIU and their superiors (in so far as can influence PIU staff) | High | - Minimal documents requirements for payment authorization, to be retained at the PIU and attached to payment voucher (SPP) for audit purposes, even if not required to be submitted to the KPPN:  
6.(i) Signed list of attendees  
7.(ii) Hotel invoices  
8.(iii) Travel receipts, tickets and boarding passes  
9.(iv) Photos of activities  
- Involve reputable CSO, respected universities, professional associations and others to participate in and monitor training activities and/or seminars  
- Bill payments shall be verified for accuracy and completeness by PIU Treasurer and authorized by project staff who are not involved in training activities  
- Training for financial management staff (see 4.1)  
- Expert financial management support (see 4.1)  
- Strengthened corrective actions (see 1) | |
<table>
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<tr>
<th>No</th>
<th>Description of Activities</th>
<th>Possible Risks (Incl. Corruption)</th>
<th>Actors</th>
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<th>Actions to Mitigate Risk</th>
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<tr>
<td></td>
<td>monitoring official travel</td>
<td>ficitious supporting documents</td>
<td></td>
<td>as can influence PIU staff)</td>
<td>purposes, even if not required to be submitted to the KPPN:</td>
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<td></td>
<td></td>
<td>- Per diem/travel allowance charges are being made for more than the actual number of travel days</td>
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<td>10. (i) Hotel invoices</td>
</tr>
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<td></td>
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<td></td>
<td>11. (ii) Travel receipts, tickets and boarding passes</td>
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<td>12. (iii) Photos of activities</td>
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<td></td>
<td></td>
<td>- Bill payments shall be verified for accuracy and completeness by PIU Treasurer and authorized by project staff who were not involved in travel activities</td>
<td></td>
<td></td>
<td>- Training for financial management staff (see 4.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Expert financial management support (see 4.1)</td>
<td></td>
<td></td>
<td>- Strengthened corrective actions (see 1)</td>
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<tr>
<td></td>
<td>3.5 Audit findings</td>
<td>- Weaknesses in internal control noted in audit reports and management letters are not addressed promptly and effectively</td>
<td></td>
<td>High</td>
<td>- Annual audited financial statements, with the audit report and management letters, are made available to public, by publishing these on project website within 30 days of receiving these from the auditors.</td>
</tr>
</tbody>
</table>

5. Complaint Handling Mechanisms

<p>| Complaints are not handled appropriately | Corrupt activities not recognized and addressed | GFMRAP Team | High | - The Working Committee shall periodically review the effectiveness of complaints handling mechanism for the project, particularly provisions for follow up investigations of serious and unresolved complaints by the internal Auditors, and/or third party audit to ensure independency and reliability of the system. |
|                                           | - Lack of clear complaint handling mechanism |        |        | - The CHU shall (i) Administer a project telephone ‘hotline’, a dedicated email address and PO Box to facilitate registering complaints; (ii) Record and maintain a log of complaints received |</p>
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<tr>
<th>No</th>
<th>Description of Activities</th>
<th>Possible Risks (incl. Corruption)</th>
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<tbody>
<tr>
<td>6.</td>
<td>Special Issues Relating to the SPAN System</td>
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</table>
| 6.1 | System design: | Limited input into identification of user and technical requirements of SPAN | SPAN Working Group | High | - The WC will establish and empower a functional team comprising representatives from MOF Directorate/Agencies, Bappenas and line ministries to:  
(i) Oversee development of SPAN specifications;  
(ii) Provide inputs to and validation of the user and technical requirements being developed;  
(iii) Thoroughly review the draft bid documents which will embody the new system specifications; and  
(iv) Monitor the completion of Stage I implementation for continuity, accountability and capacity-building  
- The SC will be specifically empowered through an MOF decree to:  
(i) Accept and sign off on the user and technical requirements and on the SPAN bid |
| | - Poor understanding of SPAN and its benefits  
- Inadequate attention to institutional and change management aspects of implementing the SPAN | Development of SPAN specifications not rigorously reviewed, socialized or signed off on by MOF and users of the future system (incl. DGBFB, DGTr, revenue administration and line ministries)  
- Resistance to automation/reengineering of business processes aiming to prevent, or reduce the opportunity for, KKN  
- Limited ownership and unsatisfactory utilization of | GFMRAP Team | | |
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<th>Actions to Mitigate Risk</th>
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<tr>
<td></td>
<td><strong>SPAN system tendering:</strong></td>
<td>- Slippage in the selection of consultants&lt;br&gt;- The bidding process may not be perceived as fair&lt;br&gt;and clean by bidders and the public (especially given the complexities of the 2-stage bidding process) with the tendering perceived to be &quot;rigged&quot; with a predetermined outcome</td>
<td>SPAN Working Group&lt;br&gt;- GFMRAp Team&lt;br&gt;- Bidders</td>
<td>High</td>
<td>- The PSSU will advertise all stages in the bidding process&lt;br&gt;- The PSSU shall be supported by the (i) SC; (ii) Technical Working Group; and (iii) an IV&amp;V Team (see 6.1)&lt;br&gt;- CSO involvement (see 2.1)&lt;br&gt;- Training for procurement committee members (see 2.1)&lt;br&gt;- Complaint handling system (sec 5)&lt;br&gt;- Disclosure provisions (see 1)&lt;br&gt;- Higher standards of due diligence (see 2.8)&lt;br&gt;- Strengthened corrective actions (see 1)</td>
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<tr>
<td>6.2</td>
<td>- Inadequate professional and technical support in the PSSU for the procurement process and bid evaluation</td>
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<td></td>
<td><strong>SPAN Installation:</strong></td>
<td>- Inadequate professional and technical support in the PSSU for the SPAN installation</td>
<td>Turn-key solution provider&lt;br&gt;- GFMRAp Team</td>
<td>High</td>
<td>- CSO involvement (see 2.1)&lt;br&gt;- Complaint handling system (see 5)&lt;br&gt;- The GFMRAp Team shall be supported by an IV&amp;V Team which will: (i) Verify and validate progress against</td>
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<td>No</td>
<td>Description of Activities</td>
<td>Possible Risks (incl. Corruption)</td>
<td>Actors</td>
<td>Risk Level</td>
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<td>- Specific acceptance criteria and sign-off stages within the turn-key solution provider’s contract</td>
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<td>- (ii) Conduct post-implementation reviews at a number of sample locations</td>
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<td>- (iii) Be responsible for highlighting in advance implementation issues and potential disputes that may threaten the successful installation of the SPAN</td>
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<td>- (iv) Recommend remedial measures where such issues and potential disputes arise</td>
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<td>- (v) Provide facilitation and mediation between the Government and the turn-key solution provider</td>
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<td></td>
<td>- Strengthened corrective actions (see 1)</td>
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</table>
| 6.4 | *Change Management:* | Resistance to automation/ reengineering of business processes aiming to prevent, or reduce the opportunity for, KKN  
- Inadequate attention to institutional and change management aspects of implementing the SPAN | - SPAN Working Group  
- GFMRAP Team | High | - The SC will initiate an intensive medium term socialization (change management) process to help the MOF leadership implement and sustain the change management process with the objective of inducing behavioral changes over time |
|    |                           |                                  |        |            | - The SC shall be supported by a Change Management and Communication Team to implement a comprehensive strategy, disseminate information on, and mitigate resistance to the SPAN |
|    |                           |                                  |        |            | - Strengthened corrective actions (see 1) |