

**RISK ASSESSMENT AND RISK MANAGEMENT PLAN**

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
<b>Project-Specific Risks</b>			
The timing of the standardization of charts of accounts may not be in line with the upgrading the BPKP FMIS, which may delay the upgrading	S	Consultation, communication, and participation of BPKP in the central government's task force on standardization of chart of accounts	BPKP
Delays in decision-making on the harmonization of local government FMISs and/or a decision to opt for a single system other than BPKP's SIMDA	S	Consultation, communication and participation of BPKP in the central government's task force on harmonization of systems. Currently, BPKP's SIMDA is used by about 80% of local governments, so if a single system is mandated, SIMDA would be the logical choice, particularly given the enhancements proposed under the additional financing. However, decisions are sometimes based on political rather than technical considerations so careful monitoring of the situation will be required.	BPKP
Trained and/or certified officers are assigned in nonrelevant positions or are not appointed to a functional position	M	BPKP will apply a strategic focus to train and certify officers who are committed to remain in their current position for a certain period of time, and to appoint those not already holding an auditor functional position (JFA) to such a position within 3 months of attaining certification.	BPKP
Weak coordination among stakeholders implementing an integrated learning value chain	M	BPKP will conduct consultation and communication with a wider range of stakeholders to explain the rationale and importance of an integrated learning value chain with the aim of getting their commitment for coordination.	BPKP Training and Education Center, PMU
Full utilization of the audit and financial management information systems developed by the project because of the unavailability of O&M expenses after project completion	M	BPKP will request the allocation of O&M budget expenditure in its annual budget appropriation and ensure that the use of management information systems will be integrated into BPKP business processes.	BPKP
Inadequate allocation of O&M budget to properly operate and maintain new facilities	M	A construction management consultant will prepare O&M plans for each facility built under the additional financing, and a PIU (which will be set up in the BPKP Training	BPKP Training and Education Center, ADB
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		and Education Center) will be trained to implement the O&M plans.	
<b>Procurement Risks</b>			
BPKP has no previous experience in ADB civil works' procurement procedures and implementation	M	ADB will provide procurement training (and clinics as needed) on ADB's procurement guidelines on civil works.	BPKP Training and Education Center
<b>Financial Management Risks</b>			
New staff (because of regular staff transfers/promotions) without previous experience in implementing ADB-funded projects	M	Ensure smooth handover and skills transfer prior to staff transfers and/or promotions.	PMU, PIU
Reliance on Excel spreadsheets (and the associated risks) for preparation of financial statements	M	Put in place a system to ensure data reliability.	PMU, PIU

ADB = Asian Development Bank, BPKP = Badan Pemeriksa Keuangan dan Pembangunan (Central Government Internal Auditor), FMIS = financial management information system, M = moderate, O&M = operation and maintenance, PIU = project implementing unit, PMU = project management unit, S = substantial, SIMDA = Sistem Informasi Manajemen Keuangan Daerah (Regional Financial Management Information System).

Source: Asian Development Bank.