

Country report of Republic of Indonesia

Lessons on transparency and accountability of disaster-related aid

Task Force on the Accountability for and Audit of Disaster-related Aid

4 September 2007

Tim INTOSAI Task Force

Badan Pemeriksa Keuangan RI

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Executive summary

This is BPK's (Badan Pemeriksa Keuangan, Republic of Indonesia Supreme Audit Board) Country Report on the Development of Accountability Framework of Disaster-Related Aid Project initiated by the Governing Board of INTOSAI (International Organization of Supreme Audit Institutions).

The objective of INTOSAI is to prepare an assessment of current arrangements (on the basis of the lessons learnt on the Tsunami disaster) that will help enhance transparency and accountability that could be applied to disaster related assistance in the future. BPK has been designated as the Vice Chair and agreed to prepare a report on Indonesia's experience in the context of the Tsunami Disaster in Aceh/Nias. BPK established Tim INTOSAI Task Force comprising BPK's staff to complete the project. The Tim recognized early in the process that the topic of "Accountability Framework" is extensive and to ensure the report may be utilized as a basis for further detailed development and progressive implementation in the accountability area, the Tim focused on activities most relevant issues relating to BPK audit activities.

The key findings and lessons learnt in this report focus on **financial accountability and related transparency** issues seen as most relevant to BPK and inputs to INTOSAI. This report deliberately minimizes comments relating to operational issues and the impact of these on additional dimensions of accountability. For example, reference to framework on accountability for stakeholder participation, operational progress, evaluation and mechanisms for complaints have been minimized in this report unless these directly impact on **financial accountability and related transparency**.

In Indonesia, the funding has been classified as on-Budget for all funds routed through GOI's system and is recorded is in flow on the Government's Budget and outflow as realized amount.

Data for inflows and outflows has been gathered for relief operations and combined for reconstruction and recovery. Table below show the different categories: -

Table 1 – Estimated expenditure for relief operations

Donor type	Amount Allocated \$US	Amount Disbursed \$US	Percentage of total spent
APBN (GOI's Budget Funds)	211,222,222	189,000,000	89
Domestic and Foreign Aid	84,314,778	37,950,046	45
Grand Total	295,537,000	226,950,046	77

During this phase the records and reports were maintained in an inconsistent manner. The data presented has been aggregated from the

Central, Provincial, Regional and Local Governments records and has not been audited. A follow has been made by the Regional Government on funds outstanding in an attempt to "reconcile" the funds.

Table 2 – Estimated on Budget expenditure for relief and reconstruction operations

Source	Budgeted Amount \$US (equivalent)	Disbursed Amount	%
Government of Indonesia	3,209,031,720	1,479,392,942	46
ADB	124,659,203	20,270,114	16
MDTF	121,652,076	53,323,154	44
KFW Germany	31,833,333	30,583,544	96
Total	3,487,176,332	1,583,569,754	45

The above figures are aggregate to date and have been audited on a six monthly basis by BPK.

Table 3 - Estimated off Budget expenditure for relief and reconstruction operations

Donor type	Amount Committed	Amount Disbursed	Percentage of total committed
INGO	1,203,990,305	771,332,164	64
Bilateral	1,069,696,423	415,428,607	39
UN Agencies	443,410,836	242,282,892	55
Multi-Lateral Agencies	436,701,561	162,920,500	37
Private & community (Other)	208,963,282	130,714,866	63
National/Local NGO	40,815,543	20,129,674	49
Academic Institutions	-	-	-
IFI's	-	-	-
Grand Total	3,403,577,950	1,742,808,703	51

The off Budget amounts are captured in the RAND System and are not audited by BPK. INGOs, Bilateral, UN and multi-lateral agencies have their own audit and accountability arrangements in place. The State Audit institutions for example, the Australian National Audit Office have provided copies of their reports to BPK. It has been suggested that arrangements be made with GOI's institutions that all donors be required provide audited financial statements on at least an annual basis and BPK will include the action taken by the GOI's Implementing Agencies as part of its performance review.

Table 4 - Estimated off and on Budget expenditure for relief and reconstruction operations

Realization Report On Budget compared to off Budget to July 2007			
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Government of Indonesia	3,487,176,332	1,583,569,754	45
Donor's Committed Funding	3,403,557,959	1,742,808,703	51
Total	6,890,734,291	3,326,378,457	48

On the basis of year to date commitment and expenditures, GOI and Donors amounts are very similar.

The break up of Donors for off-Budget estimated funds pledged to Indonesia are summarized below in Table 5: -

Table 5 – Donor Category by Commitment Amount

Donor type	Amount Committed	Percentage Contribution
INGO	1,203,990,305	35%
Bilateral	1,069,696,423	31%
UN Agencies	443,410,836	13%
Multi-Lateral Agencies	436,701,561	13%
Private & community (Other)	208,963,282	6%
National/Local NGO	40,815,543	1%
Academic Institutions	-	0%
IFI's	-	0%
Grand Total	3,403,577,950	100%

The commitment to funding the tsunami in Indonesia has been made from in excess of 550 organisations amounting to in excess of \$US 3.4 billion with the top four clusters providing the largest contribution. Whilst these amounts are not auditable and the RAND System is only 60% current, the amount is believed to be a reasonable indication the commitment made.

The Executive Summary includes some of the key finding and recommendations for improving recording, reporting and audit for relief, recovery and reconstruction activities that should now be planned for inclusion in future disaster operations. Other sections of the report expand on these summaries provided below: -

- A centralized institution, such as BRR, is necessary to handle the relief, rehabilitation and reconstruction of large disasters. While the Act No 24 2007 on Disaster Management put those responsibilities to BAKORNAS (Badan Penanggulangan Bencana), such knowledge and experience of BRR as disaster fund management, disaster database management, spatial information management, and/or concept notes mechanism for NGO coordination needs to be planned for a transfer into that agency;
- During earlier assessment (2005) of funds flows, it was found that funds flows between donors, implementers and stakeholders resembled a "spaghetti" or the "noodle bowl" of flows depicting the inter and intra flows of donors, "partners", implementers, government and recipients of aid. Since that time, developments by BRR (Badan Rehabilitasi dan Rekonstruksi NAD-Nias) of its own processes and system and that of the RAND (RAN Database

Recovery Aceh Nias) has improved recording and reporting for On-Budget and Off-Budget flows commitment;

- BPK has specific responsibility for conducting audit for all On-Budget flows that are processed through the GOI's systems (Directorate of Budget, Treasury and BRR as the Implementing Agency). Funds flows outside the GOI's systems are not auditable by BPK. BPK had concerns that there is an exposure to risk that these flows are not covered by their audit. The report addresses the management of this risk through the utilization of the RAND (initially for off-Budget recording) System for reporting and BPK's audit of BRR;
- Multi-lateral Agencies (such as World Bank, ADB and MDF-Multi Donor Funds) found it difficult to timely disburse funds through the GOI's on Budget arrangements. This resulted in seeking other channels (Off-Budget) for funds disbursements for projects requiring funding;
- The RAND System is not fully up-dated as donors, project/program implementer found RAND difficult to use. This contributed to around 60% compliance for up-dating RAND. BRR has developed a number of mechanisms to ease the perceived burden. The report recommends that whilst the information is incomplete, there is an opportunity for BPK to use the reports available from RAND and include a performance assessment of donors/implementers through a management letter to BRR;
- It was found that the multi-lateral and bi-lateral agencies, and INGO's have accounting, audit and accountability arrangements in place. To further improve accountability arrangements for multi-lateral and bi-lateral agencies it has been recommended that future MOU's and contracts executed between the agencies and GOI include the provision of audit reports by the agencies to the GOI's Executing Agency on at least an annual basis. BPK should include a brief performance audit of the Executing Agency on its monitoring arrangements of the donors/financiers by reviewing the contractual arrangements and the donors/financiers audited financial reports;
- It appears that in-kind donations were not adequately recorded for value, quantity and for on-shipment. Some significant problems were experienced with distribution for example, of pharmaceuticals where shortages were experienced but where warehouses carried inventory. BPK should include as part of its audit and review all recording and processing of in-kind donations;

- With the passing of new legislation, there currently exists an opportunity to strengthen the accounting and financial reporting by BAKORNAS PB;
- It is believed that “spatial information played an immediate and an essential role in supporting early relief and ongoing recovery activities, **but could have played a greater role in planning and coordinating programs**”¹. This impacted on donors “competing” for areas in planning of construction of housing and other infrastructure. For future, it is recommended that spatial information systems be implemented earlier for planning the recovery operations.

When collecting data, the Tim experienced some difficulties in contacting corporate donors (staff have either moved on, the people that were initially responsible for arranging tsunami funding were no longer there). Generally continuing staff turnover in INGO’s also impacted the on quality and quantity of information obtained. Whilst it is believed that the findings and recommendations are sound, future similar projects need to allow additional resources for follow-up and feedback from the off Budget donors (greater stakeholder participation) to improve quality and volume of collected information.

1 Spatial Information Work Shop February 2006, Using Spatial Information to Support Emergency Relief & Recovery Activities: The Experience in Aceh

1 Preface

1.1 Introduction Tsunami Initiative INTOSAI

Recent natural disasters such as the Indian Ocean Tsunami of 26 December 2004 and the natural disasters in Indonesia, Pakistan, the Philippines and the United States of America (2005-2006) have demonstrated that such calamities pose problems of a specific kind, necessitating numerous different aid measures. Emergency aid, humanitarian aid, rehabilitation and reconstruction are complemented by capacity building in the fields of anti-corruption, good governance, accountability and financial transparency. There is also a need for comprehensive coordination of the different stakeholders involved.

INTOSAI as an autonomous, independent, non-political organization believes it should contribute its collective experience to enhancing accountability of disaster-related aid spending and to promoting transparency. The 54th meeting of the Governing Board of INTOSAI, meeting in Vienna in November 2005, therefore decided to create a Task Force on the Accountability for and Audit of Disaster-related Aid, chaired by the Supreme Audit Institution of the Netherlands with two Vice Chairs, the BPK of Indonesia and the BAI of Korea.

The Task Force shall not directly be engaged in auditing. The Task Force shall promote the exchange of information to identify a global audit trail and prepare the ground for a meaningful and effective coordination of audits. It shall enhance the transparency of flows of funds from donors to recipients and identify the role of the international organizations (multilaterals, NGOs) in this respect. Based on lessons learned, it shall develop best practices for Supreme Audit Institutions (SAIs), national governments, international institutions and NGOs to enhance accountability in disaster-related aid.

The Task Force is linked to strategic goal 3 "Knowledge sharing/Knowledge services" of the INTOSAI Strategic Plan 2005-2010. The goal liaison for the Task Force is the SAI of India.

In the final proposal for the establishment of the Task Force, the Governing Board agreed upon the following four work packages for the Task Force:

1. Framework for the exchange of information
2. Internet Communication Forum

3. Formulating Guidelines for Supreme Audit Institutions on the Audit of Disaster-related Aid
4. Formulating best practices and recommendations to improve the transparency and accountability of disaster-related aid for all stakeholders

Realizing the four work packages is done in two phases:

- Work Packages 1 and 2: establish an audit trail for Tsunami-related aid.
- Work Packages 3 and 4: establish a potential audit trail before a natural disaster happens.

From establishing the audit trail for Tsunami-related aid lessons learned will be gathered. The Task Force will use these lessons and lessons from other natural disasters like hurricane Katrina and the earthquakes in Indonesia and Pakistan to flash out the most important issues regarding accountability for and transparency of aid flows and to formulate recommendations for enhancing the accountability for and transparency of aid flows.

The Task Force will also use the lessons learned and the formulated recommendations for developing best practices for relevant stakeholders like national governments, international institutions and NGOs regarding accountability for disaster-related aid and for developing guidance for Supreme Audit Institutions regarding disaster-related aid.

1.2 Lessons learned on transparency and accountability of disaster-related aid

The Task Force has gathered lessons from three sources:

1. Establishing an insight in Tsunami-related aid flows;
2. Audits, evaluations and reports on disaster-related aid (broader than Tsunami);
3. Pilot study GIS & Audit.

1.2.1 Insight Tsunami-related aid flows

The information about Tsunami-related aid flows has been assembled from publicly accessible year reports, that were signed off by a chartered accountant, of organizations involved in fund raising and or in aid delivery and information management system in Indonesia. The information has been combined on Tsunami-related aid flows on the basis of knowledge and information of the national humanitarian aid sector to construct flow charts that indicate the financial flows from source to destination of the national humanitarian aid sector.

Current information is maintained from Funding Agency to Partners (1st level Implementers). The information for further flows is not available in the current tsunami systems. To obtain flows below the 1st level, 18 donors/funding agencies were contacted and follow was made. Only three responded with minimal information, other did not respond. Due to timing constraints to complete the project, only available data on the systems and external reports completed by INGO's was included in the analysis.

In general terms, there is difficulty in tracing between donor's "reported" intended or provided aid to Indonesia is caused by some of the following:-

- Donors not fully reporting on the RAND System with current data;
- Donor's own reporting and classification requirements are different those required by BRR and on Budget by GOI. This results in reporting of different amounts and under different headings and classifications;
- Donor's external Audit reports focus on project expenditures and not necessarily on total aid to be provided. This causes difficulty in matching amounts;
- References to Governments as donors create problems of identifying the entities through which the funds may be channelled and also the recording of one lot of funds by more than one donor/channel. For example, Canadian Government may be channelling through CIDA that further channels through Canadian Red Cross, UNICEF Canada, World Vision Canada and others.

To establish and confirm the trail of funds requires access to the initial source documentation for example, MOUs, agreements with GOI and agreements with the various channels.

1.2.2 Audits, evaluations and report

All available reports by third party agencies have been read and their relevance assessed. To improve the utility of these reports for BPK's use, arrangements with other State Audit Institutions need to be made for presentation and timing of their reports to be incorporated into BPK's programs. These reports were utilized to construct the basis of tracing aid flows included in Appendix I.

As per above, whilst the audit reports provide some detailed analysis, these are difficult to use to develop trails of cash flows. For the development of "global" flows, the donors will need to take a lead and

provide more detailed reporting on grants and other funds provided by at least country, implementation channel and project. As countries “manage” on a per project basis, this will provide a sound floor to commence matching the donor recorded funds and projects with the country’s records.

One of the more difficult issues is the maintenance of current project data of inflows and outflows on approved projects yet to commence and on those that may be classed as work-in-progress. That is, the current model for recording, for example into the RAND System relies on donors on a voluntary basis to up-date data on a monthly basis it is difficult to implement reconciliation procedures for example by BRR to monitor the accuracy of inputs (made by third party) without having in place the “General Ledger” concept. It is unlikely that donors will agree to “subscribe” to a centrally based system to improve the current arrangements. Therefore the reports from a system such as the RAND may only be used as guide by the recipient country not as a representation of the complete financial position.

1.2.3 Pilot study GIS & Audit

It is believed that “spatial information played an immediate and an essential role in supporting early relief and ongoing recovery activities, but could have played a greater role in planning and coordinating programs”². This impacted on donors “competing” for areas in planning of construction of housing and other infrastructure. For future, it is recommended that spatial information systems be implemented earlier for planning the recovery operations.

² Spatial Information Work Shop February 2006, Using Spatial Information to Support Emergency Relief & Recovery Activities: The Experience in Aceh

2 Lessons from insight in Tsunami-related aid flows

2.1 The humanitarian aid sector

The Government's and the Donors' attention has been focused on the following three phases to address the issues caused by the tsunami disaster: -

- **Relief phase** is the immediate imperative: to reach the survivors³. This requires large quantities of materials to be delivered to the affected area (air, sea, ground and other available means), finding missing and identification and burial of those who did not survive. The relief phase is normally the briefest of the three phases and is normally counted in days;
- **The recovery phase** follows and lasts several months focusing on treating the sick and injured, and preventing the outbreak of cholera, malaria, dengue fever and other communicable diseases. This phase includes the provision of health care supplies, health care, provision of safe drinking water, cooking oil, establishment of temporary sanitation facilities and re-establishment of reliable access and communication between the affected areas and the chain of supply and support;
- **The reconstruction phase** focuses on rebuilding the physical infrastructure – roads, bridges, water, sewage and sanitation systems, housing, schools, clinics and hospitals, and re-establishing human capacity of doctors, nurses, teachers, administrators. This is the longest phase and takes years rather than months for completion.

Even though there are many overlapping activities in the disaster phases, during the completion of the project, an attempt was made to isolate the lessons learned under each phase in order to highlight the accountability framework requirements under each of these phases. Further, Tim INTOSAI Task Force considered important that this report is based on a Large Scale Emergency Disaster (Natural, Environmental, and Political) that has been defined as having the following characteristics: -

³ Page 6, CCAF Research Project on Reporting Canadian Tsunami Relief Efforts, Draft for Discussion Background Document Only June 2005

- 30% Loss of Infrastructure;
- 30% Loss of Population;
- 30% Loss of Government Institutions.

The substantial losses are an indication that international assistance will be required during for all the three phases identified above. It has also been learnt that strong centralized government planning, coordination and management is required to provide leadership and direct resources to minimise waste and "competition" amongst donors.

2.1.1 Relevant stakeholders

2.1.1.1 Central Government

Following the 26 December 2004 when the province of Nanggroe Aceh Darusallam was devastated by a 9.3 Richter's scale earthquake causing tsunami wave, the President declared national disaster and appointed Vice President of the Republic chairman of BAKORNAS PBP to coordinate emergency relief operations, mobilization of aid and establishment of emergency posts. Reporting directly to the President, members of BAKORNAS PBP comprise 11 Ministers and the Governor of the disaster affected area.

Following the emergency phase, the Government established BRR (Aceh-Nias Rehabilitation and Reconstruction Agency under Aceh and Nias Regulation in Lieu of Law No. 2 of 2005 dated 16 April 2005 that was enacted as Act No. 10 of 2005 to plan, implement and coordinate the recovery and reconstruction phases.

The Ministry of Home Affairs sent a team of ranking officers and post graduates to Aceh to restore public services and provide administrative services.

The Ministry of Public Works with support from the Military reconstructed and repaired "3,000 km of damaged roads, 1,620 bridges, 14 harbours and 8 airports"⁴.

Government Collecting Agencies were established by the central and regional governments to collect disaster aid the communities that was provided in the form of funds (cash) and goods.

2.1.1.2 Local Government

After the disaster, for practical purposes, there was no local Government in Banda Aceh. Central Government took over the responsibilities of the

⁴ The Audit Board of Indonesia Summary of Audit Results 26 December 2004 to 30 April 2005.

Local Government and coordinated the relief, recovery and currently continuing with reconstruction. Currently the local government function has improved, especially in Banda Aceh where the local government is now involved in facilitating among central government, BRR, NGO, local leaders with communities to release land. Moreover, local government is now to rehabilitate and construct public utilities such as school, hospital, market, water supply and other public services.

2.1.1.3 Non-Government Organisations

There were 130 national/local NGO's listed in BRR database mostly involved in the relief and rehabilitation phases. The national/local NGO's are raised funds from communities, companies and individuals. In addition to raising funds, many of national/local NGO perform the role as contractors for international NGO's, bilateral and multilateral agencies for a specific project such as capacity building, education and economic development programs. The national/local NGO's are the smallest contributor to the funding effort with only 1% of total commitment funds of all the donors as it is shown in Table 5 but provide great local knowledge to INGOs and other donors.

2.1.1.4 International NGO's

The current list comprises 240 institutions by far the largest number of all the donors and is shown in Table 5, is the highest contributor to the funding effort with 35% of total commitment. The international NGO's are raised their funds from many sources such as communities, companies, individuals, lotteries, governments, as well as bilateral and multilateral agency. The international NGO's are mostly involved in infrastructure/housing/land, economic development, health and education sectors.

2.1.1.5 Companies/business communities

Companies/business communities have been included in this report and classified as other with 97 names. The sources of funds for companies are mainly received from company reserves and employees donations. Whilst business communities funds, are mainly received from their member business/companies, the funds are mainly channelled to reputable international and local NGO's for implementation.

2.1.1.6 Religious organizations

Not classified in this report.

2.1.1.7 Private persons

Not classified in this report.

2.1.1.8 Foundations

In this report, Foundations are classified as Local NGOs and number 134 (second largest classification).

2.1.1.9 Lotteries

Not classified in this report.

2.1.1.10 Multilateral Financial Institutions

The financial institutions such as the World Bank and Asian Development Bank are the Multi-lateral agencies to support Government of Indonesia through on and off budget channels. To improve coordination, the larger donors have established a pooled fund called MDF (Multi Donor Trust Fund) to channel aid to Indonesia through the on Budget arrangements and appointed the World Bank as the trustee of the fund. In addition to on budget channel, the MDF has also been used to finance projects off budget through the funding of INGO's, local NGO and UN Agency.

2.1.1.11 Intergovernmental Institutions (Bi-lateral Agencies)

Bi-lateral agencies such as USAID, AUSAID, KFW and other foreign government agencies have channelled their aid off budget. In general, they appoint Management Contractors to implement projects by procuring the services of contractors specializing in those sectors.

2.1.1.12 Other

Other classification includes 97 names that are normally not involved in the humanitarian sector..

2.1.2 Volume of humanitarian aid

Table 1 – Estimated expenditure for relief operations

Donor type	Amount Allocated \$US	Amount Disbursed \$US	Percentage of total spent
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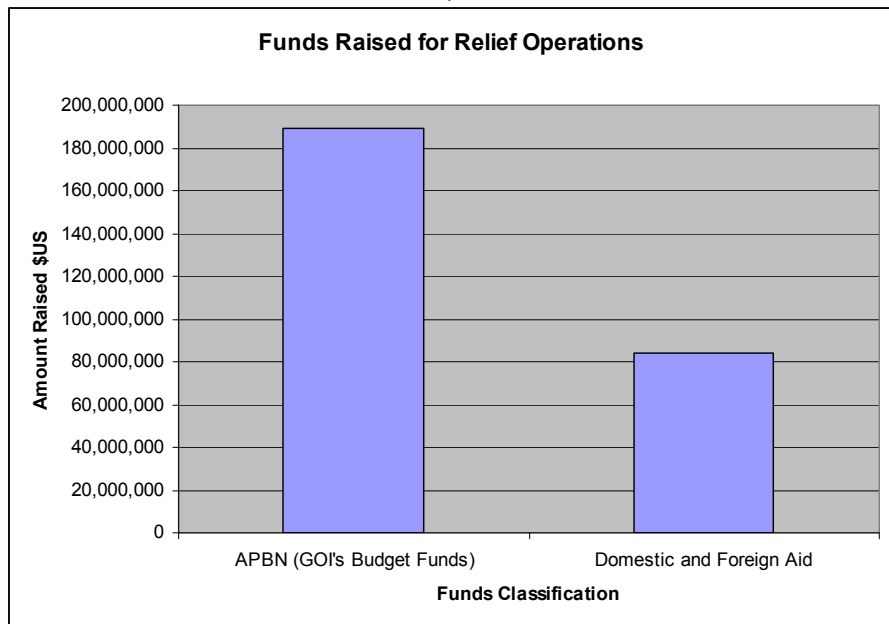
The commitment to funding the tsunami in Indonesia has been made from in excess of 550 organisations amounting to in excess of \$US 3.4 billion with the top four clusters providing the largest contribution. Whilst these amounts are not auditable and the RAND System is only 60% current, the amount is believed to be a reasonable indication the commitment made.

2.2 Tsunami-related aid

2.2.1 Fundraising and volume

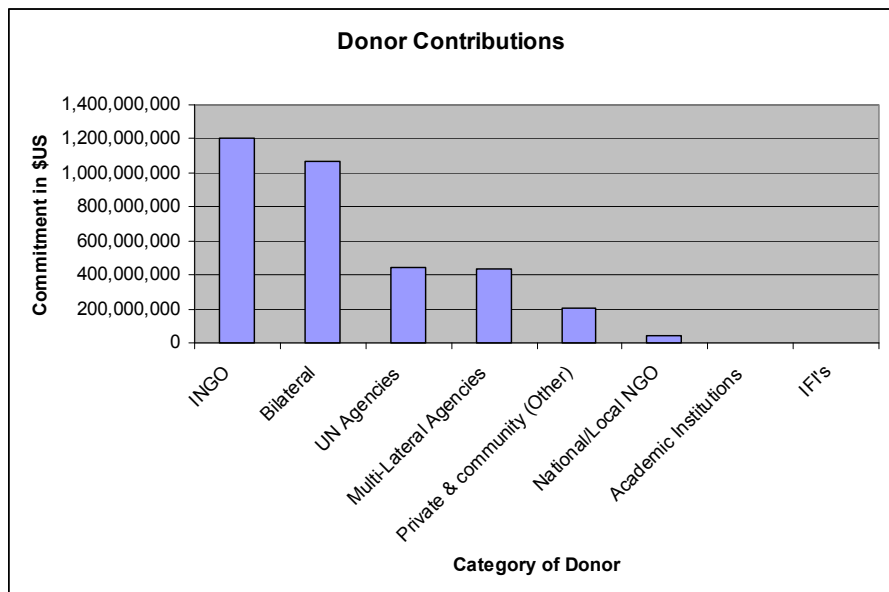
Relief Phase 26 December 2004 to 30 April 2005

Graph 1



Recovery and Reconstruction onwards from 1 May 2005

Graph 2



2.2.2 Flow chart of Tsunami-related aid

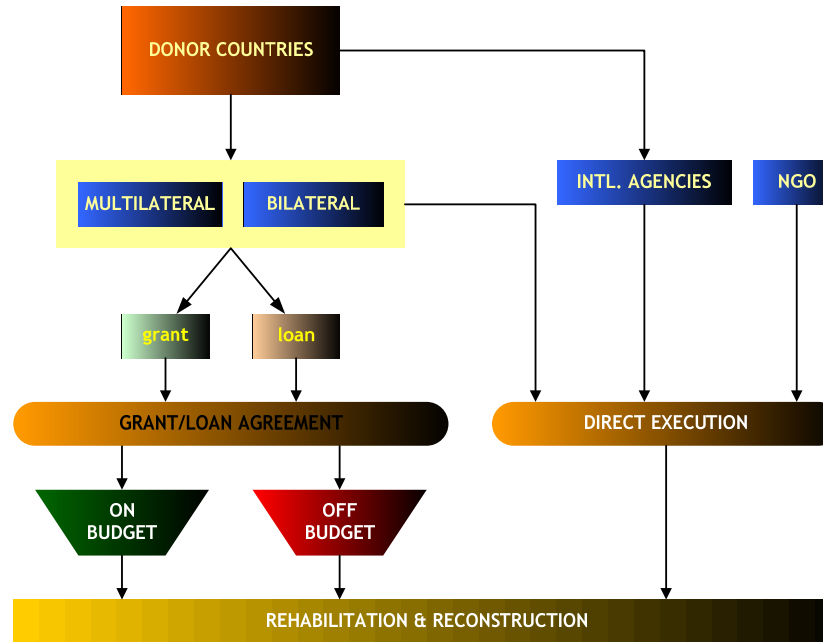
In broad terms, BPK's role is to audit on Budget flows. In the case of

Tsunami this amounts to an estimated \$US3.5 billion to July 2007. Bi-lateral Agencies are audited by in-country State Audit Institutions, INGOs, Multi-lateral and UN/EU Agencies are all externally audited. The flows are presented in the following diagrams.

Diagram 1 Overview of funding arrangements⁵



INTERNATIONAL FUNDING MECHANISM THE REHABILITATION & RECONSTRUCTIONS EFFORT

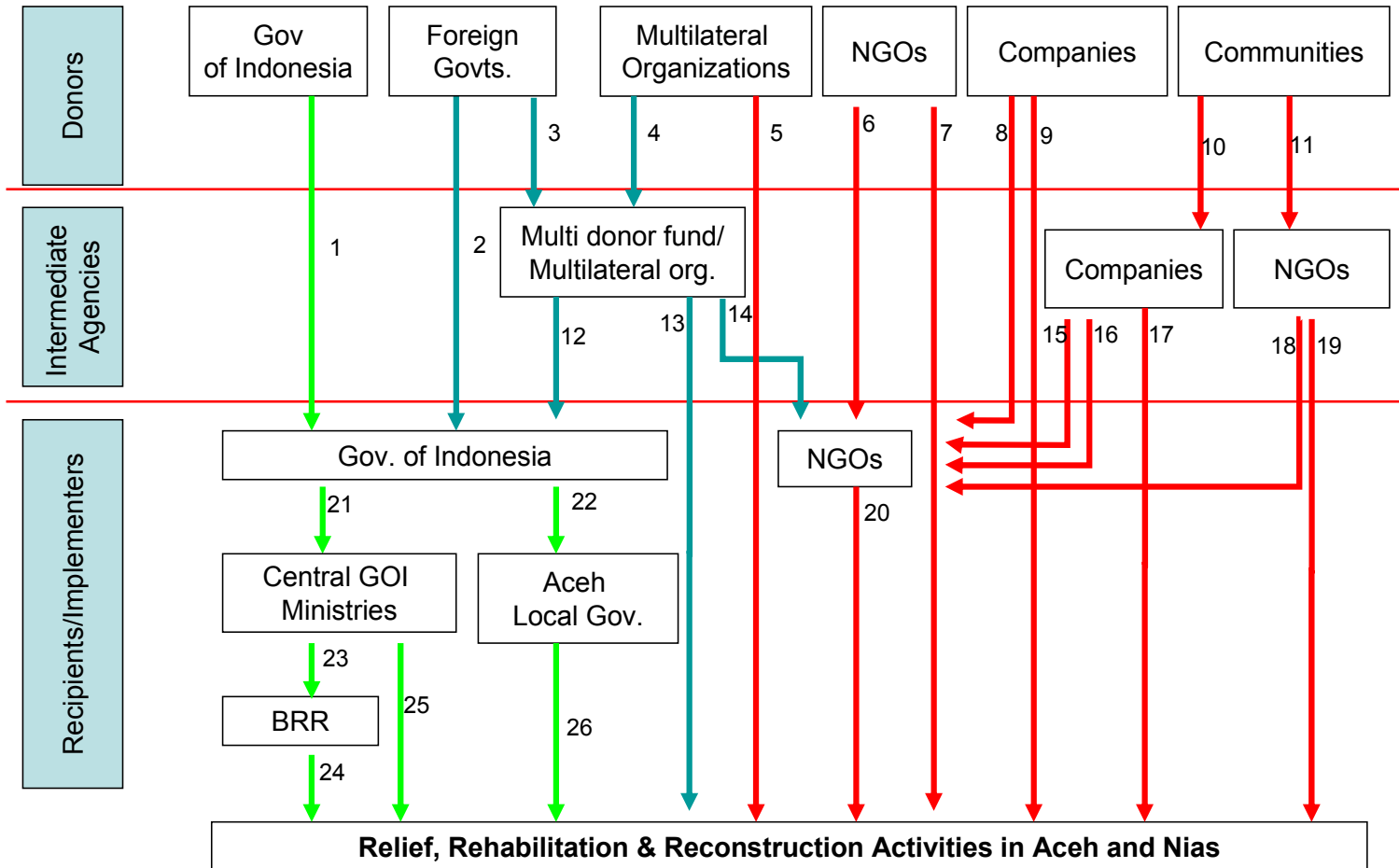


All donors/financiers are required to make formal with GOI, MOUs, agreements detailing responsibilities are included in these arrangements.

⁵ SKEMA PENDANAAN HIBAH as presented by BRR

Diagram 2 Funds Flow and accountability

Flow of Tsunami-related Aid in Indonesia



The guidelines for audit arrangements of the above flows may be described as follows: -

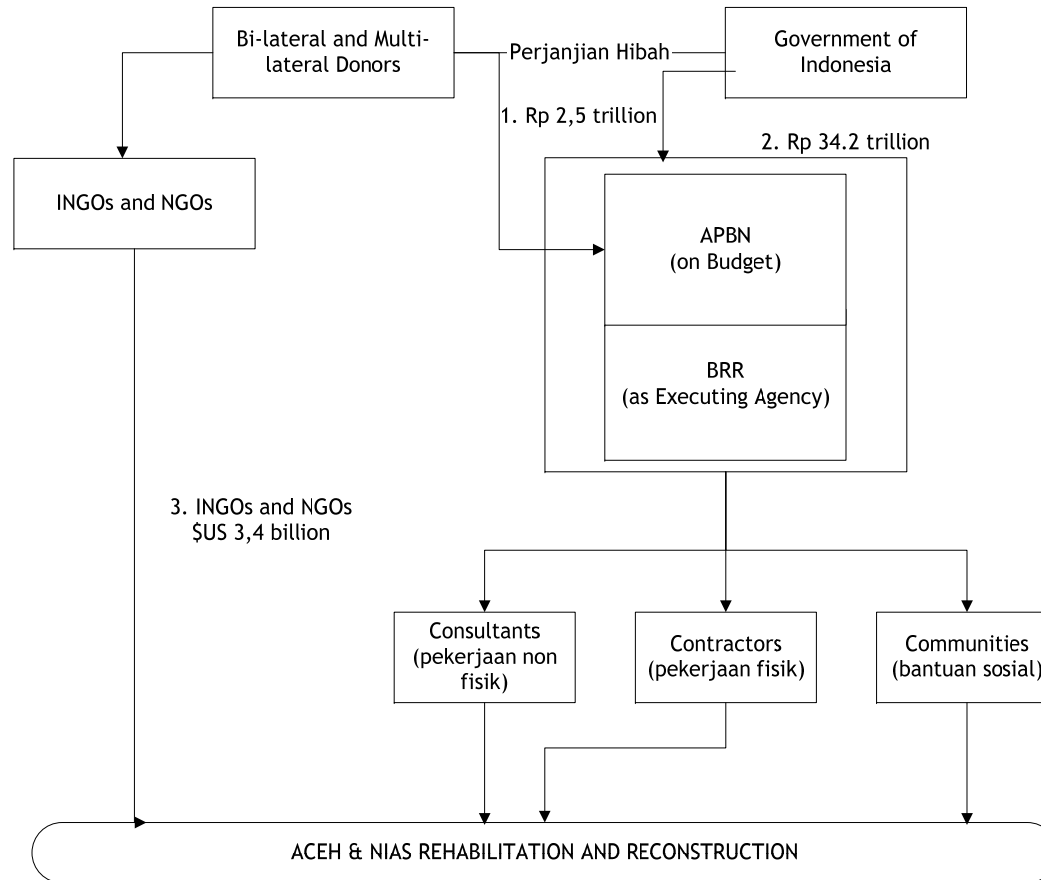
Flow Number	Description and responsibility for audit
1, 12, 21-26	These funds are directly on Budget (GOI's Budget) are audited by BPK
2-5	When these funds are made available on Budget are audited by BPK or
2-5	In some instances are made available off Budget are not audited by BPK and are audited by the Donor's appointed auditors.
6-7, 20	These flows are not audited by BPK and are audited by the Donor's appointed auditors. (It is believed that most local NGOs not affiliated with international NGOs will not have their accounts audited).
8-11, 15-19	These flows are not audited by BPK and are audited arrangements are made or not made at the discretion of the Donors (donor appointed auditor).

In some instances the above guidelines are not followed, for example: -

- Where a multi-lateral agency provides funds through BRR but off Budget and where BRR is required to produce financial statements on projects funded under this arrangement, BPK will audit the financial statements for example, the RANTF (Reconstruction of Aceh and Nias Trust Fund);
- Where a multi-lateral agency provides funds through BRR off Budget and where BRR is not required to produce financial statements on projects funded under this arrangement, BPK will not audit the financial statements;
- On the MDTF World Bank had arrangements for audit with BPK P (Badan Pengawasan Keuangan dan Pembangunan). Historically, the primary reason for the Government to establish BPKP was to create an internal auditing agency to assure an independent audit on the activities of the ministries and information or reports submitted to the President and Cabinet;
- In some cases each wishes to audit their used of their funds. This may mean that project with more than one donor may have more than one audit. This type of arrangement places additional stress on the receiver of funds in handling the additional audit coordination required by the donors.

2.2.3 Channels Tsunami-related aid flows

Diagram 3 Funds Flow and accountability to July 2007



- Flows 1 and 2 are on Budget amounts and executed by a GOI agency;
- Flow 3 is off Budget and is executed by Donors.

2.2.4 Insight in Tsunami-related aid flows

All donors' data is captured up to the Implementers level only. No further detailed data is available on the current systems. To trace donor's funds pledged and committed requires a follow through from the source documents such as MOUs and agreements. In Indonesia's case: -

- If the funds are provided (grant/loan) on Budget, then the funds will need to be traced through the Department of Treasury's Bank Accounts;
- If these were off Budget, depending on the implementing arrangements, these funds are transferred to the Implementer/s;
- These may be recorded in the RAND System as a commitment and the disbursement will be over one or several projects and more complex to trace the flow. As presented earlier, the response to using the RAND System is around 60% on reported projects.

Using Country's reports (Norway and Netherlands) and audit reports on Australian, USA and Canadian aid, an attempt was made to establish a trail of funds identified by the donor country "provided" to Indonesia compared to the records in the BRR's systems (Indonesia). As an example, presented in Appendix I, are the flows for Netherlands. Some amounts have not been able to be traced as shown below: -

Table 6

Donor: Netherland Government			
Partners	Total Comitted in The Report	Total Comitted in RAND Database	Description
MDF	€ 133,000,000	\$ 100,000,000	Traced
Rehabilitatie Haven Banda Aceh	€ 8,500,000	\$ -	Not Traced
Stichting H2O	€ 5,000,000	\$ -	Not Traced
UN/ISDR	€ 300,000	\$ 360	Traced
Vredesbemiddelng Atjeh	€ 50,000	\$ -	Not Traced
PUM	€ 800,000	\$ 964	Traced
Total	€ 147,650,000	€ 100,001,324	

Table 7 below shows the Norway's commitments that were not able to be traced through in the RAND System: -

Table 7

Donor: Norway Government (NORAD)			
Partners	Total Comitted in The Report	Total Comitted in RAND Database	Description
Corge Norge AS	€ 113,375.00	\$ -	NA
Corge Norge AS	€ 756,092.63	\$ -	NA
Flyktningehjelpen	€ 750,000.00	\$ -	NA
Flyktningehjelpen	€ 875,000.00	\$ -	NA
Kirkens Nodhjelp	€ 625,000.00	\$ -	NA
Norges Rode Kors	€ 1,734,382.50	\$ -	NA
Norges Rode Kors	€ 187,500.00	\$ -	NA
Norges Rode Kors	€ 591,250.00	\$ -	NA
Plan Norge	€ 500,000.00	\$ -	NA
Plan Norge	€ 625,000.00	\$ -	NA
Total	€ 6,757,600.13	\$ -	

Table 8 below shows the USA's commitments that were not able to be traced through in the RAND System: -

Table 8

Donor: US Government (USAID)			
Partners	Total Comitted in The Report	Total Comitted in RAND Database	Description
Wiaja Karya	\$ 81,405,000.00	\$ 81,405,000.00	Traced
Parson	\$ 35,000,000.00	\$ 35,000,000.00	Traced
Total	\$ 116,405,000.00	\$ 116,405,000.00	

As shown in the above tables, it is possible to follow a trail of funds flows where the donor and the Government have a consistent approach for recording and reporting. Included in Appendix II is a brief experience and accountability arrangements for the Republic of Maldives.

2.2.4.1 Transparency

In Indonesia the tsunami related funds are "captured" in the following areas: -

- GOI's reporting for all on Budget funds and includes funds from multi-lateral donors and other Governments. The Budget and extracts from the Financial Statements are published in local press and the Financial Statements are audited by BPK;
- As an Executing Agency, BRR records and reports on all projects funded from on Budget funds. The Budget and extracts from the Financial Statements are published in local press and the Financial Statements are audited by BPK;
- For off Budget Donors funding, BRR captures on RAND information inputted by Donors. There is no compulsion for using the RAND by Donors and the compliance rate is as follows: 30% current month information, 30% where the information is more than two months

old and 40% where the data is more than three months old. Further the input is completed by donors themselves (third party) and BRR is not able to reconcile the data;

- The transparency for all off Budget funds relies on donors and their stakeholders. For example, established INGOs have established arrangements for recording and reporting, smaller NGOs do not have established processes for this purpose;
- Multi-lateral agencies have external audit arrangements and regularly publish their information;
- Bi-lateral Agencies are audit by State Audit Institutions and reports are presented to Parliament in their own countries.

2.2.4.2 *Audit and accountability*

The matrix below summarises known arrangements: -

Category Name	Number of Institutions	Fund Raising	Project Implementation	Accounting	Auditing	Internal Management Reporting	External Financial Reporting
1. International NGO's	240	Public, corporate, government	Mostly self implementation, extensive use of partners and NGO's	Strong accounting systems	External and internal audits	Regular monthly financial and operational reporting to HQ	At least annual audited financial statements
2. Local NGO's	134	Public	Mainly implementers	Mostly weak accounting system	Mostly no external audit	Regular reporting on projects to donors	Nil
3. Other	97	Staff and some public	Self interest, some through NGO's	Large "other" have strong accounting systems	Large "other" have strong external and internal audits	Not available	Nil
4. Bi-Lateral Agencies	30	Government	External contractors	Strong accounting systems	SAI's and internal audits	Regular monthly financial and operational reporting to HQ	At least annual audited financial statements
5. Academic Institutions	21	Not available	Self interest, some through NGO's	Strong accounting systems	Not available	Not available	Nil
6. UN Agencies	20	Governments	Self	Strong accounting systems	External and internal audits	Regular monthly financial and operational reporting to HQ	At least annual audited financial statements

Country report of the Republic of Indonesia

Category Name	Number of Institutions	Fund Raising	Project Implementation	Accounting	Auditing	Internal Management Reporting	External Financial Reporting
7. IFI's	5	Shareholders Funds	Mainly NGO's	Strong accounting systems	External and internal audits	Not available	At least annual audited financial statements
8. Multilateral Agencies	5	Governments, other agencies, reserves	Mainly through government	Strong accounting systems	External and internal audits	Regular monthly financial and operational reporting to HQ	At least annual audited financial statements

2.3 Conclusions and lessons

- A centralized institution, such as BRR, is necessary to handle the relief, rehabilitation and reconstruction of large disasters. While the Act No 24 2007 on Disaster Management put those responsibilities to BAKORNAS (Badan Penanggulangan Bencana), such knowledge and experience of BRR as disaster fund management, disaster database management, spatial information management, and/or concept notes mechanism for NGO coordination needs to be planned for a transfer into that agency;
- A system that is currently used by BRR should be further developed and used for all disaster management;
- Exchange of audit information with other State Audit Institutions and third parties for all funding need to be formalized;
- Multi-lateral Agencies (such as World Bank, ADB and MDTF) found it difficult to timely disburse funds through the GOI's on Budget arrangements. This resulted in seeking other channels (Off-Budget) for funds disbursements for projects requiring funding;
- The RAND System is not fully up-dated as donors, project/program implementer found RAND difficult to use. This contributed to around 60% compliance for up-dating RAND. BRR has developed a number of mechanisms to ease the perceived burden. The report recommends that whilst the information is incomplete, there is an opportunity for BPK to use the reports available from RAND and include a performance assessment of donors/implementers through a management letter to BRR;
- It was found that the multi-lateral and bi-lateral agencies, and INGO's have accounting, audit and accountability arrangements in place. To further improve accountability arrangements for multi-lateral and bi-lateral agencies it is recommended that future MOU's and contracts executed between the agencies and GOI include the provision of audit reports by the agencies to the GOI's Executing Agency on at least an annual basis. BPK will be planning to include a brief performance audit of the Executing Agency on its monitoring arrangements of the donors/financiers by reviewing the contractual arrangements and the donors/financiers audited financial reports;
- It appears that in-kind donations were not adequately recorded for value, quantity and for on-shipment. Some significant problems were experienced with distribution for example, of pharmaceuticals

where shortages were experienced at the same time as warehouses carried inventory. It is understood that currently BPK does not include in-kind donations as part of their audit. For future, BPK should assess the inclusion of in-kind donations as part of its audit and review all recording and processing of in-kinds donations. This will require GOI to notify all donors regarding the need to include detailed lists of items and their value that will enable recording in an accounting system. Further work is required to be completed by the Tim in seeking advice on the role of BAKORNAS, Customs Division and other agencies involved in receipting the goods at the time of the relief operations to assess their role in the recording and distribution of all in-kind donations (see note below);

- With the passing of new legislation, there currently exists an opportunity to strengthen the accounting and financial reporting by BAKORNAS. In coordination with the Ministry of Finance, BAKORNAS should be planning to establish accounting systems and procedures for recording and reporting all disaster revenues and expenditures;
- It is believed that “spatial information played an immediate and an essential role in supporting early relief and ongoing recovery activities, **but could have played a greater role in planning and coordinating programs**”⁶. This impacted on donors “competing” for areas in planning of construction of housing and other infrastructure. For future, it is recommended that spatial information systems be implemented earlier for planning the recovery operations.

When collecting data, the Tim experienced some difficulties in contacting corporate donors (staff have either moved on, the people that were initially responsible for arranging tsunami funding were no longer there). Generally staff turnover in INGO’s also impacted the on quality and quantity of information obtained. Eighteen organizations (two from each cluster) were contacted by e-mail. After a follow-up, only three formally responded with basic information and referred for further information for the Tim to contact Head Office. Whilst it is believed that the findings and recommendations are sound, future similar projects need to allow additional resources for follow-up and feedback (greater stakeholder participation) to improve quality and volume of collected information.

⁶ Spatial Information Work Shop February 2006, Using Spatial Information to Support Emergency Relief & Recovery Activities: The Experience in Aceh

3 Lessons learned from audits, evaluations and reports on disaster-related aid

3.1 General

We have studied the following audits, evaluations and reports on disaster-related aid:

- Australian National Audit Office on Aid Funds Provided Under the Australia-Indonesia Partnership;
- United States Government Accountability Office on USAID Signature Tsunami Reconstruction Efforts in Indonesia and Sri Lanka;
- Court of Accounts "Synthesis of the Public Thematic Report" French aid to victims of the 26 December 2004 tsunami.

3.2 Insight and transparency

All major agencies have robust arrangements in place for transparency reporting. For example, Bi-lateral Reports are presented to Congress and Parliament and are publicly available.

Smaller NGO's, community, corporations and individuals do not have reporting arrangements in place to inform the public.

3.3 Harmonization

Not investigated this area in detail but on the basis of difficulties experienced in tracing funds flows, varying approaches are used in reporting.

3.4 Organization, cooperation & coordination

The INGOs reports indicate that the establishment of BRR improved coordination and planning. Whilst attempting to cooperate the donors also compete with each other for projects, areas and sectors.

3.5 Awareness

All Donors are looking to a centralized agency for a lead to improve services delivery.

3.6 Accountability & audit

This area has been included in matrix above.

3.7 Disaster preparedness

Significant amount of effort is required by all parties to improve the handling of major disasters.

3.8 Disaster management

Strong centralized Government body is required to plan and coordinate disaster activities.

3.9 Critical success factors

- Plans for handling disaster;
- Centralized planning and coordination;
- Ready plans for accounting;
- Ready plans for immediate internal audit followed by external audit;
- Coordination amongst NGOs with the Government and beneficiary stakeholders.

3.10 Other

To improve accountability it is important that when the logistics to reach the disaster area for the operations relief teams are arranged that parallel arrangements be made for an accounting/financial management team/s to be in the field within seven days to establish accounting systems (manual and/or computerized). Their immediate focus needs to be on the recording and accounting of relief resources moving on to coordinating systems for recording all aid donated and received. All accounting codes for classification of categories of expenditure and revenues needs to be pre-arranged and complies with instructions from the Ministry of Finance.

3.11 Conclusion

For major disasters, a centralised government institution with the requisite authority is needed to plan and coordinate in the short-term the relief effort and later the recovery and reconstruction. The centralised agency is required to be in place until the local authorities have sufficient capacity and are able to takeover the management of all the activities.

All international donors are required to seek agreement from the nominated central agency for all their projects to assist with establishing

priorities, allocation of resources and dealing with the ultimate beneficiaries.

4 Lessons from the added value of Geographical Information Systems (GIS) and Remote Sensing

United Nations (UN) recognised the importance of the use of, and access to, information and spatial data as part of the recovery effort. A Humanitarian Information Centre in Banda Aceh (HIC Sumatra) was established and deployed as a common service to the humanitarian community working in Sumatra and the surrounding countries. "The HIC became established as a provider of information products and services and enabled the humanitarian community to deliver assistance more effectively; it also acted as a focal point for data collation, and in later stages data analysis, and data dissemination in support of the provision of humanitarian assistance"⁷.

Geographic Information Systems (GIS) has been used for the provision of spatial data products to facilitate access to a wide range of data sets including national base maps, custom map product, and high resolution satellite imagery. In September 2005 the HIC was re-named the United Nations Information Management System (UNIMS), and in February 2006 reached the end of its mandate. This was used as the basis to establish the Spatial Information & Mapping Centre (SIM-Centre) at Badan Rehabilitasi dan Rekonstruksi (BRR) NAD-Nias through the migration of much of the GIS capacity, and spatial datasets and products, from the UNIMS to the SIM-Centre.

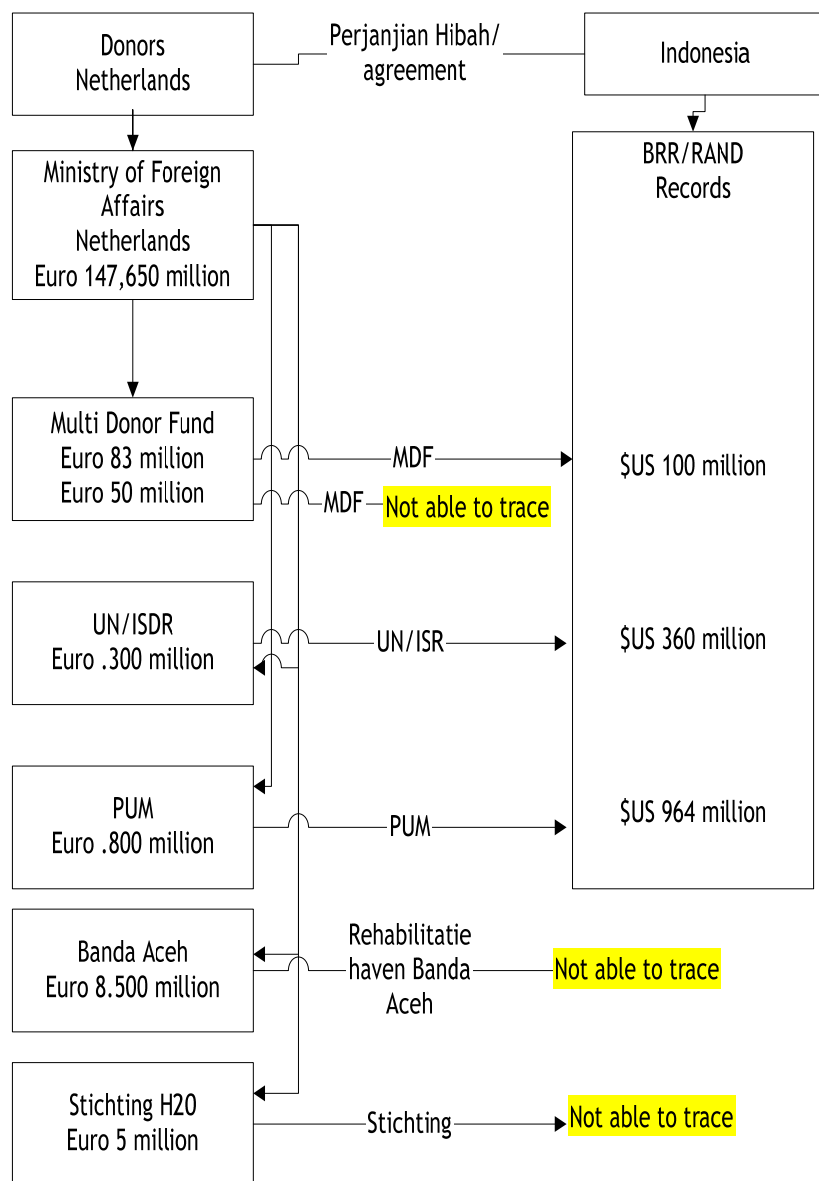
SIM-Centre is located at BRR and co funded by UN, Norwegian Government and BRR. BPK's staff in Aceh are assessing the use of GIS to assist with improving current audits. It is acknowledged at this stage of the evaluation by BPK that the system will assist with Monitoring and Evaluation (M&E) of infrastructure development projects such as housing and physical and social infrastructure. The linkages for the financial audit for project expenditure are yet to be confirmed.

⁷ Page 2, Using Spatial Information to Support Emergency Relief & Recovery Activities: The Experience in Aceh November 2006, Spatial Information Workshop

Appendix 1: funds flow

Below is an example of Donor's Funds flow compared to those recorded in the GOI's (BRR and RAND) Systems

FUNDS FLOW TRAIL BETWEEN DONORS AND GOI



Appendix 2: Maldives experience and accountability

Introduction

The magnitude and scale of the disaster relative to the size and population of the Maldives is unprecedented in living memory. The tsunami inundated the entire country, as the highest elevation in the country is 1.5m. All of the Maldives' 200 inhabited islands were hit, as were all of its 87 resort islands. The entire population of the Maldives was affected by the disaster, of which one-third of the population, some 100,000 people, was severely affected with more than eighty people killed. 29,000 persons were displaced by the tsunami.

Background: Establishment of the Tsunami Relief and Reconstruction Fund (TRRF)

Objectives

TRRF was established with a view to providing accountability and effective management of the activities of the TRR Fund in a transparent manner and according to internationally accepted practices.

More specifically, the objectives of the TRR Fund are to (i) receive funds from local and international sources for the purpose of tsunami relief and reconstruction, (ii) expend funds and account for the expenditure in accordance with approved guidelines and procedures established for the purpose of tsunami relief and reconstruction activities, and (iii) expend funds for management expenses only if such expenses attribute directly to the relief and reconstruction activities (general administration expenditure that are not directly attributed to the tsunami relief and reconstruction activities would not be included in the expenditure).

The purpose of the TRRF is to ensure that all funds received towards the relief and reconstruction relating to the tsunami disaster on 26th December 2004 are utilised with the highest level of accountability and transparency in line with international best practice and are delivered to the tsunami affected persons and areas with great efficiency and minimum wastage.

Legal Status and Governing Legislation

Legal status

The TRR Fund was developed in close consultation with the donor agencies supporting the government in tsunami relief and reconstruction with the aim of using a standard set of procedures generally acceptable by donors to avoid having to account separately for each individual donor requirements of accountability and financial reporting.

Legal Status:

The TRR Fund was not established as a separate legal entity. However, the TRR Fund was established with legal backing with a separate set of bank accounts that would be used only to receive financial assistance from local and international donors for tsunami relief and reconstruction. All funds donated would be received to these bank accounts except in cases where donors require their funds to be maintained in separate bank accounts as part of the conditions of their assistance. Expenditures out of these accounts would be in accordance with approved procedures and guidelines to ensure proper accountability.

The rationale for this arrangement was to utilise the existing resources of the government for the tsunami relief and reconstruction activities without having to establish a separate administrative structure that would lead to duplication of resources.

TRRF Bank Account:

Cash Donations received through bank transfers would be received to Rufiyaa account 7701 – 147 900 – 001 and US Dollar account 7701 – 147 900 – 002 with the Bank of Maldives in the name of *Tsunami Relief and Reconstruction Fund – Ministry of Finance and Treasury*.

Cash donations received in the form of cash and cheques to the Ministry of

Finance and Treasury would be deposited in account 1615 with the Maldives Monetary Authority (MMA) in the name of the Ministry of Finance and Treasury.

Accordingly, the TRR Fund would consist of (i) cash received to and expended out of the 3 bank accounts; Rufiyaa denominated account and US\$ denominated account with the Bank of Maldives, and Rufiyaa denominated bank account with MMA, and (ii) in-kind assistance received to the custody of the Government.

TRR Fund Administrator: The Administrator of the TRRF would be the TRRF Unit of the Ministry of Finance and Treasury.

Governing Legislation

The Government of Maldives established the *Tsunami Relief and Reconstruction Fund* (TRRF) by order of a Presidential Decree. Accordingly, the governing document for the TRR Fund is the Presidential Decree, no 32/2005, dated 14 March 2005.

Although there is no specific legislation for the TRRF, the Presidential Decree has the force of law within the existing legal framework of the Maldives.

Structure and Composition of TRRF Fund Financing (Financing Plan)

The TRRF activities were established under two broad categories: (i) continuing relief activities directed at looking after the displaced people, and the (ii) national economic recovery and reconstruction consisting of (a) Housing and Infrastructural Redevelopment, and (b) national economic recovery activities, which include sectoral activities such as the revival of fisheries, tourism, agriculture, SMEs etc.

Management and Financial Reporting

In broad terms three types of reporting were established: (i) Management (ii) Donor Reporting and (iii) Financial reporting.

Management reporting focused cash flow, reconciliation reports and statement of income and expenditures on weekly and monthly basis.

Donor Reporting was done by preparing an FMR (Financial Management Report) on a quarterly basis comprising:-

- Sources and uses of funds by donor and sector reconciled to each bank account as required by Donors;
- Cash Withdrawal reconciliation;
- Cash Forecast;
- Output Monitoring Reports;
- Movement of Special Accounts;
- Project Progress Reports.

This report was used as the basis of further withdrawals from the donors for replenishing the Special Accounts. FMR was published on the web on a quarterly basis.

For annual reporting financial reports were produced comprising Income and Expenditure Statement, Cash Flow Statement and Balance Sheet that were audited by an international audit firm.

Internal Audit was performed by an external audit firm and with monthly and quarterly reporting.

The above management and financial reporting applied to funds received into the bank accounts as described above. Other funds for example, bi-lateral agencies that were funding projects direct and through Implementing agencies for example, INGOs were not included in the above accountability arrangements.