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# MCC INDONESIA CONTROL OF CORRUPTION PROJECT

**CONSULTANT REPORT ON STATUS OF INVENTORY OF  
INDONESIA COURT ASSETS**

**COMPLETION OF PHASE I AND  
SCOPE OF WORK FOR PHASE II OF INVENTORY**

**February 16-28, 2008**

This publication was produced for review by the United States Agency for International Development. It was prepared by Ms. Carol S. Rabenhorst of The Urban Institute under subcontract to Chemonics International Inc.

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**Contract No. DFD-I-00-05-00219-00, Task Order 04  
Task 1, Judicial Reform Activity 2B, Asset Management**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## SUMMARY AND PURPOSE OF THE TRIP

In February 2008, the consultant traveled to perform the following activities:

- *Activity 1.* As Urban Institute project manager for the asset management activity, coordinate, supervise, and provide quality control for technical assistance planned and conducted under Task 1, Activity 2b of the MCC Indonesia Control of Corruption Project (ICCP). Ensure coherence in technical approaches and efficiency in implementation of various subtasks and coordinate with the chief of party and other ICCP task implementers.
- *Activity 2.* Support and monitor the work of Ms. Kathy Gaertner, Urban Institute resident advisor for inventory and asset management activity; Mr. Muhammad Ridwansyah, Chemonics local staff member for inventory and asset management activity; and PT. Laksa Laksana, Chemonics inventory subcontractor for implementation of the asset inventory. Review outputs in connection with Phase 1 of the inventory and prepare the scope of work for Phase 2 of the inventory subcontract. Participate in preparation of technical specifications for inventory of real estate assets and provide expertise on real estate issues relating to property ownership and the Land Registry.
- *Activity 3.* Prepare a report on results of Phase 1 of the asset inventory, and plans and timetable for Phase 2. During Phase 1, completed in February 2008, the subcontractor gathered existing inventory data, including electronic data, from the regional coordinator for courts in four regions: Central Java, Nanggroe Aceh Darussalam, West Sumatra, and South Sumatra.
- *Activity 4.* Prepare plans for implementation of Phase 2, scheduled to begin in March 2008, and for completion of the inventory by the end of MCC ICCP. The objectives of Phase 2 are to:
  1. Carry out a physical inventory in the courts in the same four regions
  2. Assess quantity, condition and life expectancy, location, and valuation of the assets
  3. Enter data in a computerized database
  4. Determine internal controls over management of the assets
  5. Train local staff in inventory taking and maintenance and adherence to internal controls

These activities were accomplished during the trip, as detailed below in Section B.

## B. PRINCIPAL RESULTS

The primary purposes for the consultant's trip were to review the results of Phase I of the Supreme Court Asset Inventory Project (SCAIP), to prepare the scope of work for SCAIP Phase II, and to initiate the planning process for SCAIP Phase III. When complete, the three phases will result in completion of the inventory of fixed assets in all courts, training of inventory staff in all courts, and development of systems for maintenance of the inventory database and internal control of inventory accuracy and reliability.

The Phase I subcontractor, PT. Laksa Laksana, a local firm, was selected by the ICCP selection committee in October 2007 after a competitive procurement among Indonesian firms. Procurement stages included preparation of a scope of work, solicitation of expressions of interest, selection of a short list of qualified firms, revision of the scope of work, and solicitation of full technical and financial proposals. BRDG IQC subcontractor The Urban Institute managed the technical elements of the procurement, including ranking bidders on their technical qualifications and the contents of their proposals, while Chemonics negotiated the financial and other contract terms.

The three SCAIP phases are as follows:

- Phase I: Assessment phase to analyze the current inventory situation in each of the four selected regions
- Phase II: Implement inventory and training activities in 170 courts in the same four regions
- Phase III: Based on lessons learned in Phase II, roll out the inventory and training activities on a larger scale

The selection of four regions for the Phase I assessment and the Phase II inventory implementation was based on the fact that these regions did not submit inventory reports to the Supreme Court in July 2007 while other regions did. The four regions are Nanggroe Aceh Darussalam, Central Java, West Sumatra, and South Sumatra. Before Phase I, MCC ICCP had been provided with little insight into the status of inventories in the four selected regions or why they had not reported. Neither hard copies nor electronic copies of their inventories from 2007 were unavailable at the central level, and the level of accuracy of inventories at the local level could not be determined. Furthermore, it was unclear which courts had already implemented the Ministry of Finance's SABMN (accounting system for state-owned property) electronic asset inventory database system and which courts continued to use hard copy reports.

Because of this lack of information, the design of a scope of work and creation of a budget to implement the inventory activities proved to be difficult. Phase I was created to be an assessment to gather as much relevant information as possible to properly and effectively design and implement the inventory activities for Phase II. The primary tasks set out for subcontractor P.T. Laksa Laksana in Phase I were to:

- Visit the regional coordinator and obtain copies of all existing electronic records of the most recent inventory data received from the courts in each region
- Analyze the electronic data to determine whether it is consolidated without reconciling backup data from individual courts, consolidated with supporting data from the individual courts, or consists of unconsolidated data from individual courts and determine the extent to which the information appears to be complete
- Compile contact information for asset management personnel in each of the regions, and courts, if available
- Identify sources or holders of records of real estate assets for real estate assigned for use by the courts and court personnel
- Obtain all records available on locations of the real estate assets and estimate their completeness

### **SCAIP Phase I Results**

PT. Laksa Laksana completed its review of available records, compilation of additional data, and visits to the courts in the four regions in January 2008. During the consultant's trip, the results of SCAIP Phase I were compiled, reviewed with Laksa Laksana and ICCP staff, and submitted as a separate deliverable to Chemonics on February 27. The details of that report will not be repeated here, but we provide a summary below.

Laksa Laksana deployed five teams during Phase 1, covering 171 courts: two teams to Central Java (due to its large size) and one team to each of the remaining three regions. In addition to visiting the regional coordinator (*Korwil*) from each of the four selected regions, the teams also selected some *satker* level courts to visit as a sample. Laksa Laksana prepared a final report summarizing the main issues it found related to inventorying for each region.

Information collected during Phase I includes:

- The addresses of each court in the four selected regions, as well as the name and phone number of the head of court. The information gathered from the sampled courts also includes a contact from the Offices of General Affairs and Accounting.
- All available electronic SABMN inventory data, including the consolidated information from the *Korwils*, and the court level information from the sampled courts. This work included an analysis of the quality of this data. Overall, only the consolidated data from the Aceh *Korwil* have proved functional. Data from the remaining *Korwils* were not functional because of errors in how the file was saved or because of corrupted information.

- A list of the land and building information for each court, including size, location, description, and availability of the land/building certificates.

Finally, the bulk of the report is a more detailed assessment of the sampled courts. These reports give detailed information into what documentation was available at the court and how the SABMN database has been implemented.

The findings in Phase I have been used in creating and budgeting for activities in Phase II. We discuss specific issues below.

- The lack of usable electronic data collected from three of the *Korwils* and their reliance on paper copies implies that Phase II reports cannot be prepared in advance of the court visit. The inventory reports that will be submitted to the Ministry of Finance for valuation must be based on hard copy reports instead of converted from electronic files.
- The existence of electronic files, even though not consolidated properly, indicates that in many cases Phase II will simply have to update the current SABMN record, instead of creating a new SABMN file.
- The lack of capacity on the local level to conduct an inventory and enter the data into SABMN confirms that Phase II and Phase III inventories must include some on-the-job training. Further training in this area will also be considered.
- Communication from the Supreme Court to the *Korwils* to the *satkers* is not effective.

### **SCAIP Phase II SOW and Meetings with Laksa Laksana**

During the consultant's trip, the scope of work for Phase II of SCAIP was finalized and delivered to Laksa Laksana. (Because of similarities between the Phase I and Phase II work, the subcontract was written so that if the Phase I work were completed at a satisfactory level, the same subcontractor would be used for Phase II.) A technical and financial proposal was received from Laksa Laksana and reviewed with the consultant and ICCP asset management staff. Final revisions and negotiations with Chemonics were underway at the end of the consultant's trip. Phase II is expected to begin in April and to be completed in August 2008.

The objective of Phase II is to conduct a physical check of the asset inventories, as well as conduct training and related activities, in the 171 courts in the four selected regions. Principal activities to be carried out under Phase II include the following:

- Identify and determine the quantities of physical assets, including movable property and non-movable property (real estate), with useful lives of more than one year and computerize data
- Support valuation efforts undertaken by cognizant Ministry of Finance staff

- Assess the life expectancies of asset categories in accordance with government of Indonesia life expectancy norms
- Assess the internal controls over the management of physical assets in individual courts and regions

## **C. CHALLENGES AND NEXT STEPS**

To date, the principal challenge for the asset management component of ICCP has been acquisition of accurate information about the current system for asset management among the courts and what, if any, documentation exists that complies with Government of Indonesia and Supreme Court inventory management regulations. As a result of SCAIP Phase I, we think we have a clearer picture of the status of inventory and asset management compliance and the problems, gaps, and inadequacies of the implementation of the existing system.

The primary challenge for the remainder of the task will be ensuring that we have adequate staff to complete a full inventory of all courts in the field. We think our current staffing for managing this task — Urban Institute expatriate resident staff and consultants and a local staff person employed by Chemonics and assigned to this task — is adequate in terms of number of people and their capabilities. It will be up to the subcontractor (Laksa Laksana) to send sufficient numbers of people to the field to perform the inventories and on-the-job training. This issue will be carefully monitored and evaluated during the initial weeks under Phase II.

In addition to the on-the-job-training of courthouse property management staff, we plan to conduct four wrap-up training sessions, one in each of the four court regions inventoried in Phase II. This will help consolidate the work before we roll out to the other regions, and it will allow counterparts to share experiences and practices. Recommendations for ongoing inventory updating, management, and internal controls will form a significant part of the agenda for the wrap-up sessions.

### **Plans for SCAIP Phase III**

During the consultant's trip, a proposed work plan for asset management activities during Year 2 of ICCP was prepared and submitted to Chemonics. The plan includes rollout of inventory taking, maintenance, training and internal controls, and institutionalization of processes developed during Phase II and early in Phase III for sustaining the systems after project closeout.