

AUDITED PROJECT FINANCIAL STATEMENTS

Project N° 1100001621

Loan/Grant: 1000004352

1000004349

1000004324

Period covered: 1st January 2017 – 31st December 2017

COASTAL COMMUNITY DEVELOPMENT PROJECT

Prepared by Badan Pengawasan Keuangan Dan Pembangunan

Received on 30th June 2018

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**BADAN PENGAWASAN KEUANGAN DAN PEMBANGUNAN
DEPUTI BIDANG PENGAWASAN INSTANSI PEMERINTAH
BIDANG PEREKONOMIAN DAN KEMARITIMAN
DIREKTORAT PENGAWASAN PINJAMAN DAN BANTUAN LUAR NEGERI**

Jalan Pramuka Nomor 33, Jakarta 13120
Telepon (021) 85902505 Ext. 0507, Faksimile (021) 85902505

**INDEPENDENT AUDITOR'S REPORT
ON
THE CONSOLIDATED FINANCIAL STATEMENT OF
COASTAL COMMUNITY DEVELOPMENT PROJECT (CCDP)
IFAD LOAN I-880-ID / SPANISH TRUST LOAN E-16-ID /
IFAD GRANT I-C-1392-ID
UNDER
DIRECTORATE GENERAL OF MARINE SPATIAL MANAGEMENT
MINISTRY OF MARINE AFFAIRS AND FISHERIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CLOSING)**

**NUMBER : LAI - 26/D104/02/2018
DATE : JUNE 28, 2018**

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**BADAN PENGAWASAN KEUANGAN DAN PEMBANGUNAN
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Telepon (021) 85902505 Ext. 0507, Faksimile (021) 85902505

Number : LAI - 26/D104/02/2018

June 28, 2018

A. Independent Auditor's Report

To:

1. Director General of Marine Spatial Management
Ministry of Marine Affairs and Fisheries
As Executing Agency Coastal Community Development Project
2. Director General of Budget Financing and Risk Management,
Ministry of Finance

Jakarta

Opinion

We have audited the accompanying of Consolidated Financial Statements of the Coastal Community Development Project (CCDP) under IFAD Loan I-880-ID, Spanish Trust Loan E-16-ID and IFAD Grant IC-1392-ID as at December 31, 2017 and for the year then ended, which comprise of cumulative of Project Sources and Uses of Funds and Special Account Activity Statement, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, (a) the financial statements referred to above, and the appended notes, present fairly all material respects, the financial position of the Coastal Community Development Project (CCDP) under IFAD Loan I-880-ID, Spanish Trust Loan E-16-ID and IFAD Grant IC-1392-ID as at December 31, 2017 and for the year then ended in conformity with the accounting basis described in note B.2.b; (b) Director General of Marine Spatial Management Ministry of Marine Affairs and Fisheries as Executing Agency has utilized all proceeds of the loan and grant withdrawn from the IFAD only for the purpose of the project in accordance with the the loan and grant agreement; and no proceeds of the loan and grant have been utilized for other purposes; and (c) Director General of Marine Spatial Management, Ministry of Marine Affairs and Fisheries was in compliance as of the end of the financial year with all financial covenants of the loan and grant agreement.

In addition:

- a. With respect to the Statement of Expenditures, adequate supporting documentation has been maintained to support claims to the International Fund Agricultural Development

(IFAD) for replenishment of expenditures incurred, and all expenditures incurred are eligible for financing under IFAD Loan I-880-ID, Spanish Trust Loan E-16-ID and IFAD Grant IC-1392-ID.

- b. The Special Account Activity Statements of IFAD Loan I-880 ID, Spanish Trust Loan E-16-ID and IFAD Grant IC-1392-ID gave a fair view of the receipts collected and payments made during the year ended December 31, 2017, and these receipts and payments support special account liquidation/replenishments during the year.

Basis for Opinion

We conducted our audit in accordance with the auditing standards prescribed by the Indonesian Institute of Certified Public Accountants that referred to International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Indonesia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management

These financial statements are the responsibility of the Directorate General of Marine Spatial Management, Ministry of Marine Affairs and Fisheries.

Management is responsible for the preparation and fair presentation of the financial statement for the Coastal Community Development Project (CCDP) and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards prescribed by the Indonesian Institute of Certified Public Accountants that referred to ISAs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards prescribed by the Indonesian Institute of Certified Public Accountants that referred to ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Directorate for Audit
of Foreign Loans and Grants
Director,


Amdi Veri Darma
Accountant, State Register RNA-6443

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Directorate for Audit
of Foreign Loans and Grants
Director, 




Amdi Veri Dharma
Accountant, State Register RNA-6443

B. Consolidated Financial Statements

1. Consolidated Project Sources and use of funds

Coastal Community Development Project (CCDP)
IFAD Loan I-880-ID, Spanish Trust Loan E-16-ID, Grant IFAD IC-1392-ID
Consolidated Project Sources and Uses of Funds
For the Year Ended Desember 31, 2017

No.	Sources and Uses of Funds	Actual			Planned			Variance in %		
		Cummulative up to 2016	Year to date	Cummulative up to Year 2017	Cummulative up to Year 2016	Year to date	Cummulative up to Year 2017	Previous Year	Year to date	Cummulative up to Date
		Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp
		1	2	3	4	5	6	7=1/4	8=2/5	9=3/6
	Sources of Funds (by Category)									
1	IFAD Loan 1-880-ID	200.196.453.688	11.855.986.573	212.052.440.261	227.317.892.000	138.642.550.000	365.960.442.000	88,07	8,55	57,94
2	Spanish Trust Loan E-16-ID	83.503.687.643	6.806.846.972	90.310.534.615	88.188.088.000	17.928.974.000	106.117.062.000	94,69	37,97	85,10
3	IFAD Grant IC-1392-ID	15.674.867.373	2.697.845.770	18.372.713.143	22.436.657.000	8.438.330.000	30.874.987.000	69,86	31,97	59,51
	Sub Total Loan/Grant	299.375.008.704	21.360.679.315	320.735.688.019	337.942.637.000	165.009.854.000	502.952.491.000	88,59	12,95	63,77
4	Government of Indonesia	32.208.138.992	5.393.343.937	37.601.482.929	39.016.373.513	5.924.647.180	44.941.020.693	82,55	91,03	83,67
	Total Sources of Funds	331.583.147.696	26.754.023.252	358.337.170.948	376.959.010.513	170.934.501.180	547.893.511.693	87,96	15,65	65,40
	Uses of Funds (by Category)									
1	Vehicle, Material and Equipment	20.592.082.635	-	20.592.082.635	22.966.398.873	4.240.250.000,00	27.206.648.873	89,66	0,00	75,69
2	Training and Workshop	93.012.330.851	10.740.633.385	103.752.964.236	105.893.842.127	30.757.875.000,00	136.651.717.127	87,84	34,92	75,93
3	Studies and Surveys	20.093.444.083	3.592.406.374	23.685.850.457	22.589.621.000	64.598.914.000,00	87.188.535.000	88,95	5,56	27,17
4	Technical Assistance	15.674.867.373	1.802.870.797	17.477.738.170	27.428.657.000	7.073.330.000,00	34.501.987.000	57,15	25,49	50,66
5	Consultancy Services	9.300.382.253	5.224.768.759	14.525.151.012	13.134.260.000	8.131.000.000,00	21.265.260.000	70,81	0,00	68,30
6	Community Enterprise and Infrastructure Fund	107.750.831.018	-	107.750.831.018	110.772.399.000	42.332.000.000,00	153.104.399.000	97,27	0,00	70,38
7	District Fund for Supporting Small Scale Fisheries Non Bank Fund (NBF)	32.951.070.491	-	32.951.070.491	35.157.459.000	7.876.485.000,00	43.033.944.000	93,72	0,00	76,57
	GOI	32.208.138.992	5.393.343.937	37.601.482.929	39.016.373.513	5.924.647.180	44.941.020.693	82,55	91,03	83,67
	Total Expenditures	331.583.147.696	26.754.023.252	358.337.170.948	376.959.010.513	170.934.501.180	547.893.511.693	87,96	15,65	65,40

B. Consolidated Financial Statements

Consolidated Financial Statements of Coastal Community Development Project (CCDP) comprised of :

1. Consolidated Project Sources and Uses of Funds
2. Notes to Consolidated Financial Statements
 - a. General Description of the Project
 - b. Accounting Policies
 - c. Explanation of the Cumulative Project Uses of Funds by Category
3. Special Account Activity Statement
 - a. Special Account Activity Statement IFAD Loan I-880-ID
 - b. Special Account Activity Statement Spanish Trust Loan E-16-ID
 - c. Special Account Activity Statement IFAD Grant IC-1392-ID

2. Notes to Consolidated Financial Statements

a. General Description of the Project

The Government of Indonesia represented by the Ministry of Finance has committed a Loan and Grant Agreement with the International Fund for Agricultural Development (IFAD) and the Spanish Food Security Co-Financing Facility Trust Fund (the Trust) set forth in Financing Agreement Number IFAD Loan I-880-ID, IFAD Grant IC-1392-ID and Trust Loan E-16-ID. The agreements were signed on October 23, 2012 to finance activities of Coastal Community Development Project (CCDP) in 13 districts/cities at 10 provinces.

1) Goals and Objectives

CCDP aims to reduce poverty and to enhance economic growth in poor communities in coastal and small islands. The objectives of the project are to be achieved by increasing household incomes for families involved in fisheries and marine activities in poor communities in coastal and small islands. This is attempted in sustainable manner.

This project consists of three investment components as follows:

- a) Community empowerment, development and management of resources, which are driven by a participatory and village priority determination process for the development of fisheries/marine and management of coastal resources.
- b) District's roles in supporting village initiatives.
- c) Project management implementation and capacity development needed to scale up project activities.

2) Program Components

Components of Management of the CCDP Program are as follows:

a) Community Empowerment, Development and Resource Management

Sub-component 1.1. Facilitation of Community, Planning, and Monitoring and Evaluation.

This sub-component is the basis for all determined activities in coastal communities. The locations is established by considering its priority for future development of districts/cities resources. The core activities of this sub-component are:

- facilitation of project activities initiated by the community
- social engineering process as recommended in arranged stages.
- compilation of village-based information structure used for coordination and management of the project.
- assessment diversity of potential marine fisheries.
- establishment and strengthening of community groups in the implementation of project activities.

Sub-component 1.2. Assessment of Resources, Planning and Collaborative Management.

This sub-component is to set up support for development implementation of cooperative management of villages located at the project site along the same coast, aiming to facilitate the community in managing coastal resources in a sustainable manner.

Sub-component 1.3. Market Focused Village Development.

This sub-component is to set up funds arrangement in respond to investment priorities of development proposed by the targeted village communities in two main priority scales.

b) District Support for Marine Based Economic-Development

This component focuses on distribution or type of activities provided/implemented in order to support the projects undertaken by community, as well as general support in developing small scales marine/fisheries at the district/city level. The expected outcomes of this component are infrastructures at district level, institutional and the process of providing support for marketing of small-scale fisheries/marine.

Sub-component 2.1. District Level Investment and Capacity Building

This sub-component is expected to provide funding to the district/city for the followings:

- 2.1.1 Supporting development of projects in the selected villages.
- 2.1.2 Developing initiatives to support small-scale fisheries and synergize with other development initiatives found in the district/city.

Sub-component 2.2. Market and Value Chain Support

This is a market-based sub-component that in combination with various activities supporting the villages in developing plan-based market and its supporting activities and investments. It is focusing on essential commodities and the market chain. The study on market opportunities provides information to the planning participation process of the community. It also helps in determining the most effective types of investments in marketing.

c) Project Management

This component is provided to manage all aspects of the project management implemented by the Project Management Office (PMO) under direction of Directorate General of Marine Spatial Management, Ministry of Marine Affairs and Fisheries in Jakarta. The PMO supervises the establishment and implementation activities of the Project Implementation Unit (PIU) in each District/City. In implementing the Project, funds are allocated to the project management PMO and PIU and supporting funds for the respective Provincial Office (*Dinas*) and the Center for Coastal and

Marine Resources Management (*BPSPL=Balai Pengelolaan Sumberdaya Pesisir dan Laut*). The result of this component is the capability to manage the project efficiently and transparently.

The implementation of the three components is classified into financing categories set forth in Schedule 2 Allocation Table - Financing Agreement, and Regulation of the Director General of Treasury Number: PER-4 /PB/2013 dated February 7, 2013, with the following description:

- (1) Category I *Vehicles, Materials and Equipment*
- (2) Category II Training & Workshop
- (3) Category III Studies and Surveys
- (4) Category IV Technical Assistance
- (5) Category V Consultancy Services
- (6) Category VI Community Enterprise and Infrastructure Fund
- (7) Category VII District Fund for Supporting Small Scale Fisheries

CCDP funding comes from IFAD Loan I-880-ID, Trust Loan E-16-ID and IFAD Grant IC-1392-ID as follows:

Description	Loan	Trust Loan	Grant
Loan/Grant Number	IFAD Loan I-880-ID	Trust Loan E-16-ID	Grant IC-1392-ID
Signed Date	October 23, 2012	October 23, 2012	October 23, 2012
Effective Date	October 23, 2012	October 23, 2012	October 23, 2012
Closing Date	June 30, 2018	June 30, 2018	June 30, 2018
Loan/Grant Amount	SDR 15,870,000	EUR 6,288,000	SDR 1,186,000
Initial Deposit	USD 2,700,000	EUR 500,000	USD 400,000
Executing Agency	Directorate General of Marine, Coasts and Small Islands Ministry of Marine Affairs and Fisheries		
Registered Number	10852601	10853301	73089501
Special Account Number	601.308411980	601.000991980	602.170411980

3) Activities Locations

The activities of the CCDP Program are carried out in thirteen districts/cities at ten provinces, namely:

Province	District/City
1. Papua	1) District of Merauke
	2) District of Yapen Islands
2. North Maluku	3) City of Ternate
3. Maluku	4) City of Ambon
	5) District of Maluku Tenggara
4. North Sulawesi	6) City of Bitung
5. Gorontalo	7) District of Gorontalo Utara
6. East Nusa Tenggara	8) City of Kupang
7. West Nusa Tenggara	9) District of Lombok Barat
8. South Sulawesi	10) City of Makassar
	11) City of Pare-pare
9. West Kalimantan	12) District of Kubu Raya
10. Bali	13) District of Badung (Learning Center)

b. Accounting Policies

Principles of accounting policies applied in the preparation of the consolidated financial statements of CCDP, namely:

- 1) The financial statements are prepared based on cash basis, by which revenues and costs are recognized at the time of cash received and disbursed.
- 2) The Project accounting period begins on January 1 and ended on December 31, in accordance with the Government of Indonesia's fiscal year.
- 3) The denomination used is Rupiah (IDR), and conversion of foreign currencies into Rupiah are based on exchange rate at the time of fund withdrawal.
- 4) The Financial Statements constitutes the Coastal Community Development Project (CCDP) accountability on the management of funds from foreign loans and grants as well as GOI's counterpart funds.
- 5) Financing proceeds from foreign loans and grant are recorded in the following manner:
 - a) Receipts of foreign loans that are withdrawn through the Special Account procedures are recorded pursuant to the Payment Order Letter (*SP2D*) issued, and disbursements are recorded pursuant to transaction evidences into their respective categories/component accounts.
 - b) Financing proceed by direct payments are recorded pursuant to Withdrawal Authorization (WA) issued by IFAD. Conversion of foreign currency into rupiah are based on the exchange rate of Bank Indonesia, as of the date of WA issuance.

c. Explanation of the Cumulative Project Uses of Funds by Category

1) Vehicles, Materials and Equipment IDR 20,592,082,635.00

The amount represents cumulative expenditures as of December 31, 2017 to finance activities of category 1 (Vehicles, Materials and Equipment) on procurements/purchases of 4 wheel and 2 wheel vehicles, data processing equipments, office equipments and office furnitures by the PMO and PIU, with the details as the following:

Description	Loan I-880-ID (IDR)	Trust Loan E-16-ID (IDR)	Grant IC-1392-ID (IDR)	Total (IDR)
Beginning Balance 1-1-2017	20,592,082,635	-	-	20,592,082,635
Add: Fiscal Year 2017	-	-	-	-
Ending Balance 31-12-2017	20,592,082,635	-	-	20,592,082,635

There is no expenditures of Vehicles, Materials and Equipment for fiscal year 2017.

2) Training and Workshop**IDR 103,752,964,236.00**

The amount represents cumulative expenditures as of December 31, 2017 to finance category 2 (Training and Workshop) activities, includes training, technical assistance and workshops in preparation and implementation of the project, with details as follows:

Description	Loan I-880-ID (IDR)	Trust Loan E-16-ID (IDR)	Grant IC-1392-ID (IDR)	Total (IDR)
Beginning Balance 1-1-2017	12,375,326,725	47,031,574,034	-	59,406,900,759
Add: Fiscal Year 2017	6,594,617,814	3,251,040,598	894,974,973	10,740,633,385
Ending Balance 31-12-2017	33,615,693,466	69,242,295,797	894,974,973	103,752,964,236

Expenditures for fiscal year 2017 amounted to IDR 10,740,633,385.00 consisted of:

No.	PMO / PIU	Loan I-880-ID (IDR)	Trust Loan E-16-ID (IDR)	Grant IC-1392-ID (IDR)	Total (IDR)
1.	PMO	2.128.250.614	407.099.598	374.761.373	2.910.111.585
2.	Ambon City	-	497.400.000	60.000.000	557.400.000
3.	Badung District (<i>Learning Center</i>)	-	237.841.000	-	237.841.000
4.	Bitung City	220.700.000	411.300.000	60.000.000	692.000.000
5.	Gorontalo Utara District	637.927.200	-	59.981.400	697.908.600
6.	Kubu Raya District	165.840.000	161.040.000	60.000.000	386.880.000
7.	Kupang City	74.000.000	447.900.000	53.062.200	574.962.200
8.	Lombok Barat District	-	477.500.000	60.000.000	537.500.000
9.	Makasar City	586.300.000	-	47.170.000	633.470.000
10.	Maluku Tenggara District	355.600.000	140.800.000	60.000.000	556.400.000
11.	Merauke District	18.000.000	470.160.000	-	488.160.000
12.	Parepare City	430.400.000	-	-	430.400.000
13.	Ternate City	717.100.000	-	60.000.000	777.100.000
14.	Yapen District	1.260.500.000	-	-	1.260.500.000
	Total	6.594.617.814	3.251.040.598	894.974.973	10.740.633.385

3) Studies and Surveys**IDR 23,685,850.457.00**

The amount represents the cumulative expenditures as of December 31, 2017 to finance activities of category 3 (Studies and Surveys) conducted by independent survey agency, consulting firms, and higher education institutions with the following details:

Description	Loan I-880-ID	Trust Loan E-16-ID	Total (IDR)
Beginning Balance 1-1-2017	2,003,613,280	18,089,830,803	20,093,444,083
Add: Fiscal Year 2017	36.600.000	3.555.806.374	3.592.406.374
Ending Balance 31-12-2017	2.040.213.280	21.645.637.177	23.685.850.457

Expenditures for fiscal year 2017 amounted to IDR3,592,406,374.00 consisted of:

No.	PMO / PIU	Loan I-880-ID	Trust Loan E-16-ID	Total (IDR)
1.	PMO		898.205.814	898.205.814,00
2.	Ambon City	-	324.800.000	324.800.000
3.	Badung District (<i>Learning Center</i>)	-	-	-
4.	Bitung City	-	324.700.000	324.700.000
5.	Gorontalo Utara District	-	295.479.000	295.479.000
6.	Kubu Raya District	-	278.320.000	278.320.000
7.	Kupang City	-	293.588.150	293.588.150
8.	Lombok Barat District	-	335.990.000	335.990.000
9.	Makasar City	-	278.700.000	278.700.000
10.	Maluku Tenggara District	-	501.300.000	501.300.000
11.	Merauke District	36.600.000	260.573.000	297.173.000
12.	Parepare City	-	-	-
13.	Ternate City	-	280.142.000	280.142.000
14.	Yapen District	-	358.992.350	358.992.350
	Total	36.600.000	3.555.806.374	3.592.406.374

4) Technical Assistance**IDR 17,477,738,170.00**

The amount represents the cumulative expenditures as of December 31, 2017 to finance activities of category 4 (Technical Assistance) which consisted of consultant salaries and travel expenses for PMO Consultant, Empowerment Individual Consultant and Marketing Individual Consultant of PIU, with details as follows:

Description	Grant IC-1392-ID (IDR)	Total (IDR)
Beginning Balance 1-1-2017	15,674,867,373	15,674,867,373
Add: Fiscal Year 2017	1,802,870,797	1,802,870,797
Ending Balance 31-12-2017	17,477,738,170	17,477,738,170

Expenditures for fiscal year 2017 amounted to IDR1,802,870,797.00 entirely conducted by the PMO for the payment of salaries and travel expenses of PMO consultants, PIU marketing consultants and PIU empowerment consultants.

5) Consultancy Services IDR 14,525,151,012.00

The amount represents the cumulative expenditures as of December 31, 2017 to finance activities of category 5 (Consultancy Services) which consisted of salaries and travel expenses of long-term and short-term PMO Consultant, PMO consultant assistant, and business entities consulting services, with details as follows:

Description	Loan I-880-ID (IDR)	Trust Loan E- 16-ID (IDR)	Total (IDR)
Beginning Balance 1-1-2017	8,744,522,253	555,860,000	9,300,382,253
Add: Fiscal Year 2017	5,224,768,759	-	5,224,768,759
Ending Balance 31-12-2017	13,969,291,012	555,860,000	14,525,151,012

Expenditures for fiscal year 2017 amounted to IDR5,224,768,759.00 to finance activities of category 5 (Consultancy Services) which consisted of salaries and travel expenses of long-term and short-term PMO Consultant, PMO consultant assistant, and business entities consulting services, for fiscal year 2017.

6) Community Enterprise and Infrastructure Fund IDR 107,750,831,018.00

The amount represents the cumulative expenditures up to December 31, 2016 to finance activities of category 6 Community Enterprise and Infrastructure Fund. It consisted of community direct costs funds distribution from PIU district/city to designated village community groups as beneficiaries in accordance with the mechanism applicable provisions of the project. The stimulant funds included financing the purchasing of fishing boats with small engine capacity of 5.5 HP, seafood processing units and fishing infrastructures such as roads, bridges, docks, etc, with the following details:

Description	Loan I-880-ID (IDR)	Trust Loan E-16-ID (IDR)	Total (IDR)
Beginning Balance 1-1-2017	106,830,947,018	919,884,000	107,750,831,018
Add: Fiscal Year 2017	-	-	-
Ending Balance 31-12-2017	106,830,947,018	919,884,000	107,750,831,018

There is no expenditures for fiscal year 2017.

7) District Fund for Supporting Small Scale Fisheries IDR 32,951,070,491.00

The amount represents the cumulative expenditure up to December 31, 2017 to finance the activities of the district supporting infrastructure and business development as well as innovation district for small-scale fisheries, with details as follows:

Description	Loan I-880-ID (IDR)	Trust Loan E-16-ID (IDR)	Total (IDR)
Beginning Balance 1-1-2017	32,063,947,651	887,122,840	32,951,070,491
Add: Fiscal Year 2017	-	-	-
Ending Balance 31-12-2017	32,063,947,651	887,122,840	32,951,070,491

There is no expenditures for fiscal year 2017.

8) Government of Indonesia Counterpart Fund IDR 37,601,482,929.00

The amount represents the cumulative expenditures financed by the Government of Indonesia up to December 31, 2017 for activities to support the functions of planning, organizing, implementation and control, with details:

Description	GOI (IDR)	Total (IDR)
Beginning Balance 1-1-2017	32,208,138,992	32,208,138,992
Add: Fiscal Year 2017	5,393,343,937	5,393,343,937
Ending Balance 31-12-2017	37,601,482,929	37,601,482,929

Expenditures for fiscal year 2017 amounted to IDR 5,393,343,937.00 consisted of:

No.	PMO / PIU	APBN	APBD	Total (IDR)
1.	PMO	1.595.165.596	-	1.595.165.596
2.	Ambon City	70.200.000	209.599.000	279.799.000
3.	Badung District (Learning Center)	56.280.000	-	56.280.000
4.	Bitung City	60.600.000	-	60.600.000
5.	Gorontalo Utara District	60.600.000	152.554.314	213.154.314
6.	Kubu Raya District	60.600.000	308.730.430	369.330.430
7.	Kupang City	54.600.000	328.238.200	382.838.200
8.	Lombok Barat District	60.600.000	119.846.270	180.446.270
9.	Makasar City	70.200.000	755.547.760	825.747.760
10.	Maluku Tenggara District	68.900.000	281.402.200	350.302.200

No.	PMO / PIU	APBN	APBD	Total (IDR)
11.	Merauke District	57.000.000	408.409.349	465.409.349
12.	Parepare City	57.960.000	253.793.569	311.753.569
13.	Ternate City	69.600.000	-	69.600.000
14.	Ambon City	45.000.000	187.917.249	232.917.249
	Total	792.140.000	3.006.038.341	5.393.343.937

We did not conduct an audit of supporting funds provided by the Government of Indonesia.

C. Basis of Audit

1. Government Regulation Number 60 of Year 2008 concerning Government Internal Control System.
2. President Regulation Number 192 of Year 2014 concerning Badan Pengawasan Keuangan dan Pembangunan;
3. Section 9.03 Financing Agreement on Coastal Community Development Project (CCDP) between GOI and IFAD and Spanish Food Security co Financing Facility Trust Fund, which mandates CCDP to be audited by independent auditor approved by the lender.
4. Regulation of Director General of Marine, Coasts and Small Islands Ministry of Marine Affairs and Fisheries Number: 03/PER-DJKP3K/2013 dated February 27, 2013 concerning Technical Guidelines for Coastal Community Development Project Year 2013 Chapter IV.A Paragraph 5 stated that CCDP Financial Statements will be audited annually by the BPKP.
5. Assignment letter of Director of Audit of Foreign Loan and Grant, BPKP Number ST-021/D104/02/2018 tanggal 18 April 2018.

D. Objective and Scope of Audit

The objectives of the audit are:

1. To express an opinion statement on the fairness presentation of the consolidated financial statements.
2. Provide assessment on the adequacy and effectiveness of the internal control system.
3. Provide compliance assessment of the project to various financial covenants set forth in the Financing Agreement.

The audit scope includes examination on the fairness presentation of financial statements, assessment on the adequacy and effectiveness of internal control systems of the project, and adherence to provisions of regulations applicable in the implementation of the project for the budget year ended December 31, 2017.

Assessment on the fairness of financial statements includes testing the accuracy of the amounts presented in the financial statements, assessment on adequacy of the accounting/bookkeeping system, as well as the sufficiency of evidences supporting the project expenditures, both at the Project Management Office (PMO) and the Project Implementing Unit (PIU) level.

Assessment on the adequacy and effectiveness of the Project internal control systems includes assessment on the adequacy of the internal control system design both at the PMO or PIU level, as well as its effectiveness of implementation in the field.

Assessment on the compliance to applicable regulations in implementing the project includes assessment on adherence to the program that includes:

1. Adherence to certain provisions of the Financing Agreement for the following are as: portion of financing and provision of supporting funds, procurement procedures, and usage allocation of the loan and grant funds;
2. Adherence to internal mechanisms and regulations set forth by the project.

Audit on 13 PIU District/City (12 operational PIU and 1 Learning Center) were conducted by BPKP Representative Office and audit on PMO was conducted by BPKP Head-Office.

The project expenditure in 2017 funded by loans, trust loans, and grants worth IDR21.360.679.315,00 has been examined by sampling. The funds sourced from the Government of Indonesia worth IDR5.393.343.947,00 is excluded in this scope.

Our audit field works ended on June 22, 2018.

F. Assessment of the Compliance to the Financing Agreement

Our assessment of implementation of the project noted that in general the Executing Agency has complied with the provisions of the financing agreement, particularly with the provision of supporting fund, procurement procedures, and the designated of the use of loan funds, trust loans and grants.

3. SPECIAL ACCOUNT ACTIVITY STATEMENT

a. IFAD Loan I-880-ID

SPECIAL ACCOUNT ACTIVITY STATEMENT		
For Year	: January 1, 2017 up to December 31, 2017	
Title of Project	: Coastal Community Development Project (CCDP)	
Loan Number	: IFAD Loan I-880-ID	
Account Number	: [REDACTED]	
Currency	: United States Dollars	
Part I		
1. Cumulative advances to end of current reporting period December 31, 2017		19.132.427,72
2. Cumulative expenditures to end of last reporting period Dec 31, 2016		15.893.167,69
3. Outstanding advances to be accounted for (1-2)		3.239.260,03
Part II		
4. Opening Special Account (SA) balance at the beginning of reporting period January 1, 2017		2.047.291,12
5. Add/Subtract: Cumulative adjustments (if any) *	-	
6. Advances from the IFAD during reporting period	1.191.968,91	
7. Sum of 5 and 6		1.191.968,91
8. Outstanding advances to be accounted for (4+7) (must be same as item 3)		3.239.260,03
9. Closing SA balance at end of current reporting December 31, 2017		2.467.226,26
10. Add/subtract: Cumulative adjustment (if any) **	-	
11. Expenditures for current reporting period	772.033,77	
12. Sum of 10 and 11		772.033,77
13. Sum of 9 and 12		3.239.260,03
14. Difference (if any) 8-13		-

3. SPECIAL ACCOUNT ACTIVITY STATEMENT

b. Trust Loan E-16-ID

SPECIAL ACCOUNT ACTIVITY STATEMENT		
For Year	: January 1, 2017 up to December 31, 2017	
Title of Project	: Coastal Community Development Project (CCDP)	
Loan Number	: Trust Loan E-16-ID	
Account Number	: [REDACTED]	
Currency	: EURO	
Part I		
1. Cumulative advances to end of current reporting period December 31, 2017		6.176.610,92
2. Cumulative expenditures to end of last reporting period Dec 31, 2016		5.167.372,34
3. Outstanding advances to be accounted for (1-2)		<u>1.009.238,58</u>
Part II		
4. Opening Special Account (SA) balance at the beginning of reporting period January 1, 2017		395.693,98
5. Add/Subtract: Cumulative adjustments (if any) *		-
6. Advances from the IFAD during reporting period	613.544,60	
7. Sum of 5 and 6		<u>613.544,60</u>
8. Outstanding advances to be accounted for (4+7) (must be same as item 3)		<u>1.009.238,58</u>
9. Closing SA balance at end of current reporting December 31, 2017		412.119,53
10. Add/subtract: Cumulative adjustment (if any) **		-
11. Expenditures for current reporting period	597.119,05	
12. Sum of 10 and 11		<u>597.119,05</u>
13. Sum of 9 and 12		<u>1.009.238,58</u>
14. Difference (if any) 8-13		<u>-</u>

3. SPECIAL ACCOUNT ACTIVITY STATEMENT

c. IFAD Grant IC-1392-ID

SPECIAL ACCOUNT ACTIVITY STATEMENT		
For Year	: January 1, 2017 up to December 31, 2017	
Title of Project	: Coastal Community Development Project (CCDP)	
Loan Number	: IFAD Grant IC-1392-ID	
Account Number	: [REDACTED]	
Currency	: United States Dollars	
Part I		
1. Cumulative advances to end of current reporting period December 31, 2017		1.577.936,01
2. Cumulative expenditures to end of last reporting period Dec 31, 2016		1.177.936,01
3. Outstanding advances to be accounted for (1-2)		400.000,00
Part II		
4. Opening Special Account (SA) balance at the beginning of reporting period January 1, 2017		165.239,68
5. Add/Subtract: Cumulative adjustments (if any) *	-	
6. Advances from the IFAD during reporting period	234.760,32	
7. Sum of 5 and 6		234.760,32
8. Outstanding advances to be accounted for (4+7) (must be same as item 3)		400.000,00
9. Closing SA balance at end of current reporting December 31, 2017		206.815,63
10. Add/subtract: Cumulative adjustment (if any) **	-	
11. Expenditures for current reporting period	193.184,37	
12. Sum of 10 and 11		193.184,37
13. Sum of 9 and 12		400.000,00
14. Difference (if any) 8-13		-