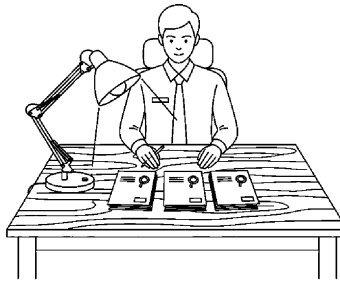


NICHE-SEARCH

WORKSHEET 6 OF 9

Affiliated-Vendor Arm's-Length Documentation

For any procurement transaction with a vendor owned by or related to a director, commissioner, or majority shareholder. Run once per material affiliated transaction, update quarterly.



Complementary worksheet for
Procurement Best Practices
by Ibrahim Anwar

What This Is For

A business can transact with affiliated vendors legally and legitimately. The problem is not the relationship — it is the absence of documentation proving the terms were equivalent to market. PSAK 7 requires disclosure of related-party transactions in financial statements. POJK 42/2020 requires independent approval for material affiliated transactions in businesses subject to OJK supervision. Due diligence teams arriving before an IPO or fundraise will examine affiliated procurement specifically, and they do not accept verbal assurances: they require documents made at the time of the transaction, not reconstructed retrospectively.

This worksheet documents that process. Each affiliated transaction goes through four steps — identify the relationship, obtain market benchmarks, document the selection rationale, get independent approval — and the completed worksheet is filed alongside the transaction's PO, GRN, and invoice.

Benefits

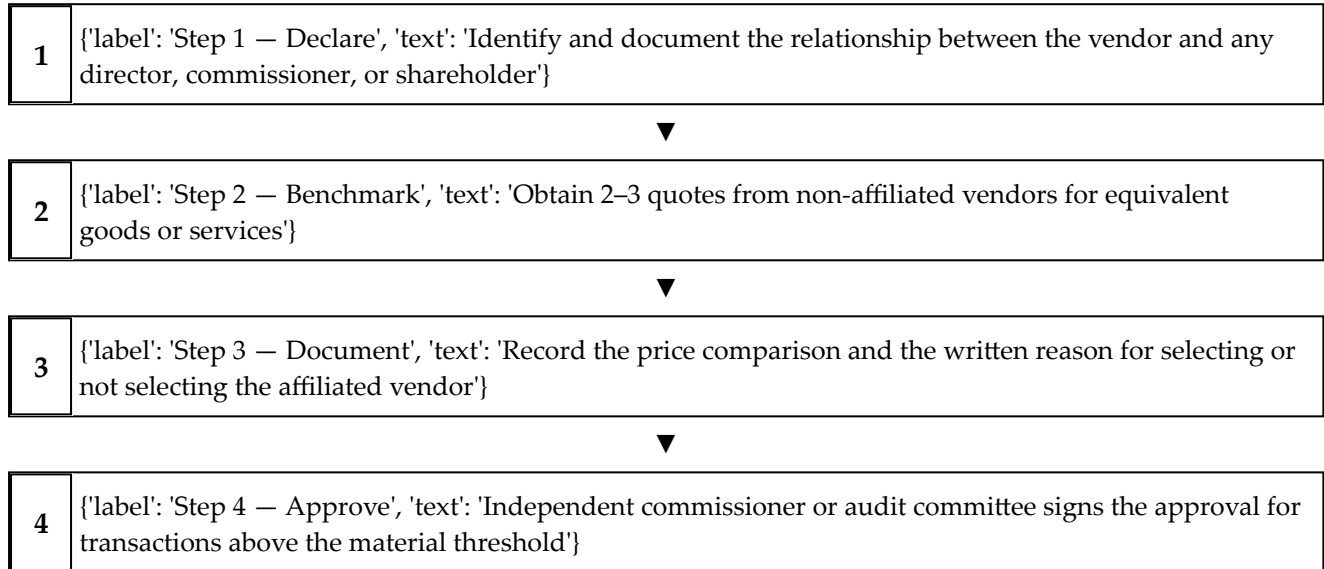
What you get when you actually run this worksheet on a real situation:

- Creates the paper trail that allows affiliated procurement to survive due diligence, rather than triggering a three-month delay while consultants reconstruct what should have been documented at transaction time.
- Forces a market price check for every affiliated transaction, which also serves as a check on whether the affiliated vendor is actually competitive or is being used out of habit.
- Provides the independent approval record that OJK and auditors require, eliminating the 'I approved my own related-party transaction' finding.
- Separates affiliated procurement that is genuinely competitive from affiliated procurement that is not — both of which can be disclosed, but only the former passes without qualification.
- Builds the 24-month audit trail that IPO preparation requires. Starting two months before due diligence produces reconstruction; starting two years before produces documentation.

Framework To Use

— Four-Step Arm's-Length Gate

Every affiliated procurement transaction passes four sequential checks before payment is authorized. No step can be skipped or reordered.



How To Use

Follow these steps in order. Each one builds on the previous.

- 1** Before any affiliated transaction is initiated: identify whether any vendor being considered has a personal or ownership relationship with a director, commissioner, majority shareholder, or their immediate family.
- 2** Complete the relationship declaration at the top of the worksheet: name of affiliated vendor, nature of the relationship, name of the related director/commissioner, and when the relationship was first identified.
- 3** Obtain market benchmark quotes: send the same RFQ used for the affiliated vendor to at least two non-affiliated vendors. These quotes may not result in a purchase; their function is to establish a documented market price range.
- 4** Fill in the price comparison section: affiliated vendor's quote, two non-affiliated benchmarks, and the percentage difference between the affiliated quote and the average benchmark.
- 5** Complete the rationale section: if the affiliated vendor is selected despite a higher price, write the specific non-price justification (capacity, proven quality record, required certification). 'Long-standing relationship' is not a sufficient justification on its own.
- 6** For transactions above the materiality threshold (typically 0.5% of revenue or as set by your audit committee), route the completed worksheet to the independent commissioner or audit committee for written approval before the PO is issued.
- 7** File the completed worksheet with the transaction's PO, GRN, and invoice. Archive for at least five years.

Example Use

A manufacturing business has used a courier service owned by the operations director's spouse for two years. Total annual spend: \$8,400. An external advisor flags that the relationship has never been formally documented and that an IPO is planned in 18 months.

Step 1 — Declare: Owner documents the relationship. Vendor: PT Cepat Kirim. Relationship: sole owner is the spouse of Operations Director Budi Santosa. Relationship identified: now, retroactively. Note: all past transactions will need to be disclosed in financial statement footnotes under PSAK 7; documentation going forward will be prospective.

Step 2 — Benchmark: Operations team sends the same courier service specification (daily pick-up, 3-city coverage, max 5 kg per parcel, same-day delivery option) to three non-affiliated courier vendors. Quotes received: Vendor X \$720/month, Vendor Y \$690/month, Vendor Z declined to quote. Average benchmark: \$705/month.

Current affiliated vendor rate: \$700/month.

Step 3 — Document: Affiliated vendor is \$5/month (0.7%) below the benchmark average. The selection rationale documents: (1) price is below benchmark, (2) vendor has 24 months of documented on-time delivery performance at 96%, (3) vendor knows our warehouse receiving process. The business selects the affiliated vendor on documented competitive grounds.

Step 4 — Approve: The completed worksheet goes to the independent commissioner. Commissioner signs and dates the approval. The approval is filed alongside the Q1 framework agreement PO.

Result: the same transaction that was invisible to due diligence two years ago is now fully documented. The IPO due diligence team finds the worksheet in the procurement file and proceeds without investigation.

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Minimum fields to complete in this worksheet: affiliated vendor name, nature of relationship, related party name and role, benchmark vendor 1 quote, benchmark vendor 2 quote, affiliated vendor quote, price comparison (% above or below benchmark), selection rationale in writing, and approver name and date of approval.
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2. If the affiliated vendor's price exceeds the benchmark average by more than 10%: the non-price justification must be specific and verifiable (e.g., 'only vendor certified to handle hazardous materials under regulation X'). A generic justification will not survive external scrutiny.
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Tips and Traps

TIPS

- Start this process prospectively, not retroactively. Retroactive reconstruction of affiliated procurement documentation is expensive, time-consuming, and raises questions about the integrity of everything that was not reconstructed.
- The benchmark quotes do not need to result in a purchase. Their purpose is to establish a documented market range. File them alongside the worksheet regardless of which vendor is selected.
- Even when the affiliated vendor is the most competitive option, complete all four steps. The process is the protection, not just the outcome.
- Set a calendar reminder 30 days before each affiliated framework agreement renewal. The arm's-length documentation must be refreshed for each renewal, not just for the first transaction.

TRAPS

- Treating 'we've always used this vendor and there have never been any problems' as a sufficient record. That statement is a claim, not documentation. Due diligence teams do not accept claims in place of transaction-level records.
- Getting independent approval after the PO has already been issued. Approval after the fact is not independent approval — it is ratification, which does not satisfy POJK 42/2020 requirements for material affiliated transactions.
- Omitting affiliated transactions below what feels like a significant threshold. PSAK 7 disclosure requirements apply to all related-party transactions, not only material ones. What you disclose can be brief; what you fail to disclose becomes a qualification.

Appendixes

Appendix A – Affiliated-Vendor Transaction Log (Annual)

Maintain one row per affiliated transaction for the financial year.

This log is the source document for PSAK 7 footnote disclosure.

VENDOR	RELATIONSHIP	QUARTER	VALUE (\$)	BENCHMARK (\$)	DIFF%	APPROVED BY
[Vendor name]	[Relationship]	Q1	—	—	—	[Name + date]
[Vendor name]	[Relationship]	Q1	—	—	—	[Name + date]
[Vendor name]	[Relationship]	Q2	—	—	—	[Name + date]

Annual total affiliated procurement: \$___

As % of total procurement spend: ___%

This log is submitted to the audit committee annually and filed with the financial statements supporting documentation.

Appendix B – PSAK 7 Disclosure Text Template

Use as the basis for the related-party transaction footnote in your financial statements:

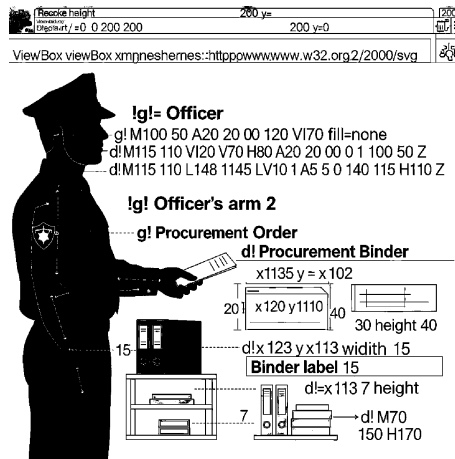
"During the year ended [date], the Company entered into transactions with related parties in the ordinary course of business on terms equivalent to those available to unrelated third parties.

Significant related-party transactions are as follows:

Nature of transaction	Related party	20XX (\$)	20X-1 (\$)
[Courier services]	[PT Cepat Kirim, owned by spouse of Operations Dir.]	[8,400]	[8,100]

The above transactions were conducted at market rates, as evidenced by benchmark quotes from unaffiliated vendors maintained in the Company's procurement records."

Reference: PSAK 7 (Revised 2015), paragraphs 17–26.



WHERE THIS WORKSHEET COMES FROM

Procurement Best Practices

Every Rupiah Paid to a Vendor Starts With a Decision Before Signing

by Ibrahim Anwar

This worksheet is one of nine in the *Procurement Best Practices* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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