

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC19703

Date ISDS Prepared/Updated: 09-Aug-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Nicaragua	Project ID:	P161359
Project Name:	Improving Quality and Efficiency of Public Sector Audit		
Team Leader(s):	Lourdes Consuelo Linares Loza		
Estimated Date of Approval:	15-Nov-2016		
Managing Unit:	GGO22	Lending Instrument:	IPF
Financing (in USD Million)			
Total Project Cost:	0.497	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Supreme Audit Institutions Capacity Development Fund			0.497
Environment Category:	C - Not Required		

B. Project Development Objective(s)

The project development objective is to improve the quality and efficiency of public sector audit, thereby strengthening external oversight over the management of public resources in Nicaragua.

C. Project Description

Description of the Proposed Project

22. The Project consists of the following parts:

a) Development and implementation of a training strategy for CGR's auditors and staff from the internal audit units (an operational arm of the CGR) on the deployment of the updated auditing standards and audit manual. Considering that the CGR is currently working on the design of the on-line training modules on the updated NAGUN based on ISSAIs and related audit manual, which would be available in their institutional training platform, the Project would finance consulting services, training materials and logistics, and travel costs for:

i) a train-the-trainers course led by an international expert (certified ISSAI facilitator) to guide the on-line learning and deliver face-to-face sessions to train 30 CGRs auditors (future trainers on ISSAIs);

ii) deployment of the on-line training and face-to-face sessions in different regions to train nearly 1,000 CGR auditors and internal auditors working in public sector entities in the application of the new standards ; and,

iii) provision of specialized training to a selected group of CGR officials on performance audit through a knowledge exchange arrangement with the Mexican Auditoria Superior de la Federacion (ASF) in the framework of an existing OLACEF's Internship Program on Performance Audit.

b) Adaptation and implementation of the Integrated Governmental Audit System (SIAG) . Building on the existing cooperation arrangements among the SAIs in the region, through OCCEFS, the Nicaragua CGR would have access and the right to adapt and use an integrated government audit system currently used by other SAI in the region. To this end, the Nicaragua CGR intends to amend an existing cooperation agreement with the Guatemala CGR to specifically set out the arrangements to use SIAG. The system would support the planning, conducting, monitoring and supervision of the audit work in the public sector, and help in the assignment of auditors. It would also facilitate the recording and maintenance of the documentation gathered during the audit process and which would support the key findings, results and conclusions of the audit process, including the audit reports. These improvements would all be aligned to the new audit standards and manuals. The implementation of the SIAG will not only create the conditions for compliance with the new standards, but would also allow for a more efficient audit process, which is currently manual and thus demands the use of more resources and time. The adaptation and implementation of the SIAG would require the financing of consulting services, goods and travel costs for CGR officials, as well as officials from partner SAIs to facilitate the knowledge exchange. Specific activities include:

i) Agree and sign the amendment to the Cooperation Agreement with the Guatemala CGR for the use and adaptation of the SIAG

ii) Review of the system features and functionalities to identify and define adjustments needed to respond to CGR needs, including the preparation of a comprehensive work plan to complete the adaptation.

iii) Adaptation of existing functionalities, and development of any new additions to SIAG up to the implementation and readiness for deployment and operation.

iv) Training of audit supervisors and encargados on the use of the system.

v) Performance of two pilot audits (financial and compliance) using SIAG and the updated NAGUN based on ISSAIs. These activities would allow CGR to: i) verify the operation of the system, and ii) verify overall compliance with ISSAIs, including quality arrangements. Quality control of the pilot audits would be carried out with the support of an external reviewer potentially from a partner SAI.

c) Design and implementation of a quality control system in compliance with ISSAI No. 40. Delivering high quality audits is a critical factor that may affect the SAI's reputation and credibility and ultimately, its ability to fulfill its mandate. The Nicaragua SAI is therefore committed, as part of its strategy, to establish and maintain a quality control system relevant to conducting audits of a high quality in the public sector environment. An effective quality control system would help CGR to have reasonable assurance that i) its staff comply with professional standards, and any legal or regulatory requirement, including relevant ethical requirements (e.g. integrity, independence, objectivity and competence); and ii) the reports issued by the CGR are appropriate to the circumstances. To support this, the Project would finance consulting services, workshops and travel costs for:

- i) The design of a quality control system which is appropriate to its mandate and circumstances and which responds to their risks of quality, including the definition and implementation of the policies and procedures built into the performance of the CGR and the production of the CGR's reports.
- ii) Update the Code of Ethics in accordance with ISSAI 30 and training of nearly 250 auditors.
- iii) Pilot and assess the operation of the quality control system in three financial audit engagements through an independent international expert.
- iv) Project management, M&E and audit. The CGR will secure the financing of key positions within the Unidad de Apoyo Administrativo (UAA/CGR) required for project implementation. Under such arrangements the Grant would i) partially finance a Procurement Specialist or a Project Coordinator within the CGR's Unidad de Apoyo Administrativo (UAA/CGR) that would support and facilitate the interaction among different units within CGR, and the interaction with partner SAIs, as well as overall project monitoring; and ii) single project financial audit.

NOTE. Supervision resources have been allocated in the form of a BETF.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

E. Borrower's Institutional Capacity for Safeguard Policies

F. Environmental and Social Safeguards Specialists on the Team

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

Appraisal stage ISDS required?: No

IV. APPROVALS

Team Leader(s):	Name: Lourdes Consuelo Linares Loza	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 15-Aug-2016
Practice Manager/ Manager:	Name: Daniel J. Boyce (PMGR)	Date: 18-Aug-2016

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.