

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC18379

Date ISDS Prepared/Updated: 29-Sep-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Kosovo	Project ID:	P160382
Project Name:	Strengthening OAG capacities in procurement audits		
Team Leader(s):	Jonida Myftiu, Manjola Malo		
Estimated Date of Approval:	31-Aug-2016		
Managing Unit:	GGO03	Lending Instrument:	IPF
Financing (in USD Million)			
Total Project Cost:	0.198	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Strengthening Accountability and the Fiduciary Environment			0.198
Environment Category:	C - Not Required		

B. Project Development Objective(s)

This project will contribute to:

Strengthen Office of Audit General (OAG) capacity on the value for money (VFM) and compliance audit in the field of procurement, enhancing in this manner public procurement process through valued added insights and recommendations;

Use the compliance audit focus in procurement to more widely develop compliance audit activity across the Office of Audit General, consolidating this work in the introduction of a separate compliance audit opinion; and

Conduct procurement post review for project financed by World Bank and other Multilateral Donors Organizations.

The provision of constructive, well focused recommendations related to procurement will promote enhanced procurement processes within Kosovo intended to deliver more efficient and effective service provision to citizens. The associated improvement in the controls applied to the procurement process will underpin wider PFM developments further enhanced by a more developed Office of Audit General compliance audit approach in non-procurement audit. This will promote an improvement in the Government PFM performance and service delivery.

To achieve these objectives, the project will develop a broader audit of procurement through an improved strategic overview of the field to identify where VFM activity can have most impact. This will be supported by pilot audits. A wider understanding of the compliance aspects of existing laws and regulations will drive the compliance audit developments and allow the basis for a consistent analysis of issues that would impact on the opinion.

The project will directly contribute to PEFA 2016 PI.19 (competition, value for money and controls over procurement (scored C in the PEFA assessment). A broader Office of Audit General portfolio and other advisory activities will support public sector organizations strengthen competition, value for money and controls over public procurements thereby addressing challenges identified by the last PEFA and other external procurement assessments. It will also support better compliance with laws and regulations across all financial systems.

Through improving the quality and range of Office of Audit General inspection, the project will develop the skills of audit staff with a positive impact on all audit activity undertaken. An increased focus on systems and controls will contribute to more proactive action deterring fraud and corruption which are obstacles to long term Government development priorities. Also boosting auditors capacity, by training them to audit donors financed projects will help international organization to rely more on country system.

C. Project Description

Output 1: Assessment of the (relevant) landscape and context that the project will address

Activity 1.1: Review and Analysis of Factors that will determine the focus of work being undertaken

This activity will identify and analyze the impact of key documentation, guidance and other relevant information which will maximize the impact of project activity. The outputs of this exercise will be shared with all relevant stakeholders and will serve as a basis for discussions to refine the scope of the intervention. Reference will be made to:

Public Expenditure and Financial Assessments (PEFA) conducted in Kosovo in past years to provide an overview of the current situation in the public financial management system to the extent that these impact on procurement and compliance audit activities;

the key actors and developments in Procurement and the extent to which this drives a revised (risk based and impact focused) strategy and supports more focused compliance audit activity through a better risk assessment of where the key audit issues are;

existing laws and regulations that impact on a compliance audit of Procurement and Non Procurement activity to set clear and unambiguous guidelines as to what a compliance failure is and when such a failure would have an impact on the proposed (Compliance Opinion) ; and

ISSAI guidance (ISSAI 4000/4001/4002) setting out International Standards on Public Sector Compliance Audit to ensure that the basis of compliance audit addresses international best practice and is embedded in OAG processes.

Output 2: VFM Reports on Procurement

Activity 2.1: Pilot Audits

The pilot audit process will incorporate four mentored audit: two will be cross cutting reviews (one related to central government and one related to municipalities, one will be focused on a single

Budget Organization and one will address comparative audit by benchmarking similar public organizations. The final outputs will be reported to Parliament but also used as the basis for a conference with key stakeholders to raise and discuss the barriers and opportunities that exist related to enhanced procurement in Kosovo. This conference will also be used to highlight other procurement projects/ activities ongoing and seek to identify how the benefits of all these initiatives can be maximized.

Activity 2.2: Revised OAG guidelines on VFM Procurement

In the spirit of continuous improvement the existing VFM procurement guidelines will be revised and updated to reflect lessons learned from the pilot audits. The audit guidelines, prepared with support of a previous IDF grant Enhancement of Public Procurement project, consist of: an initial audit strategy which requires ongoing development to reflect activity 1.1 above; and an audit manual streamlining VFM audit methodology to be applied by teams which now needs to be tested in practice and updated as appropriate. Special attention will be given to the use of market price comparisons and system based audit. As referred in the final report of the previous IDF grant project these are not fully ingrained in the OAG procurement audit process.

Output 3: Compliance Audit

Activity 3.1: Introductory Training

An initial training program for OAG staff will be developed based on the results of Output 1 and an assessment of existing skills within the OAG.

Activity 3.2: Coaching and Mentoring audit support department

A program will be implemented to ensure that the audit support department is able to carry out an effective quality assurance process of a new compliance audit approach.

Activity 3.3: Pilot Audits

Nine mentored audits will be undertaken (one for each OAG directorate) to apply a systematic approach to procurement and non-procurement compliance audit. Team leaders not involved in the pilot audits will be involved in the pilots to promote a consistent approach. A separate audit will also be carried out as a cross cutting review of specific procurement audit issues. The outcome of this work will be reported to the Assembly but will also be used to inform the conference highlighted in Activity 2.1 to maximize the benefits of the work within the PFM framework.

Activity 3.4: Training and pilot auditing on Procurement Process in Donors Projects

OAG auditors will be trained with donor procurement regulations and this would address a range of donors, including the EC and World Bank. Pilot auditing will be carried out to examine procurement activities after they are completed by the Borrower. These activities will create capacities that may be used by World Bank or other Multilateral Donor Organizations. OAG already undertaken audits of some donor funds such as Danida projects and other donors such as SIDA have expressed interest in using OAG for their audits. As there is an increasing demand in this regard OAG is seeking support to strengthen its capacities in auditing donor projects thereby opening the way for more use of country system by the donors and direct budget support - one of the underdeveloped areas according to PEFA.

Output 4: Regional knowledge exchange

Activity 4.1: Regional knowledge exchange workshop

A regional event will be organized to allow stakeholders from Kosovo to share their knowledge and

experience with peer countries engaged in similar activities or having overcome similar challenges. The Network of Supreme Audit Institutions of EU candidate and potential candidate countries (Network of SAI) including Albania, Serbia, Montenegro etc. This will build on existing round table arrangements but will allow greater focus on procurement and compliance audit

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: Jonida Myftiu, Manjola Malo	
Approved By:		
Safeguards Advisor:	Name: Nina Chee (SA)	Date: 21-Jul-2016
Practice Manager/ Manager:	Name: Soukeyna Kane (PMGR)	Date: 26-Jul-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.