RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

CAPACITY DEVELOPMENT SUPPORT TO THE COMMISSION ON AUDIT

APPROVED ON OCTOBER 7, 2015

TO

DOF

GOVERNANCE

EAST ASIA AND PACIFIC

Regional Vice President: Victoria Kwakwa
Country Director: Mara K. Warwick
Senior Global Practice Director: Deborah L. Wetzel
Practice Manager/Manager: George Addo Larbi
Task Team Leader: Tomas JR. Sta.Maria
ABBREVIATIONS AND ACRONYMS
Basic Data

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P154844</td>
<td>Investment Project Financing</td>
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<tr>
<th>Original EA Category</th>
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<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tr>
<td>07-Oct-2015</td>
<td>31-Mar-2018</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>DOF</td>
<td>Commission on Audit</td>
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Project Development Objective (PDO)

Original PDO

Project Development Objective: To increase uniformity of practice of audit and assurance services provided by the Supreme Audit Institution of the Philippines (Commission on Audit) and promote its compliance with international audit guidelines and best practices in the specialized area of disaster related activities

Summary Status of Financing

<table>
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<tr>
<th>TF</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Net Commitment</th>
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</table>
Does this restructuring trigger the need for any policy waiver(s)?

No
I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

The Project Development Objective is to increase uniformity of practice of audit and assurance services provided by the Supreme Audit Institutions of the Philippines (Commission on Audit) and promote its compliance with international audit guidelines and best practices in the specialized area of disaster related activities.

The project will be closing on March 31, 2018 and is being implemented satisfactorily with most of its key activities completed or far advanced. The PDO remains achievable resulting from a good implementation progress. Under Component 1, the Commission on Audit has completed the Audit Manual in compliance with Level 4 International audit guidelines and is just completing the pilots of the remaining target number of audits. Under Component 2, the Commission on Audit Resolution No. 2017-018 prescribing the use of the specialized audit manual on disaster funds and activities was approved by the Commission Proper and uploaded to the COA website on October 30, 2017. Similar to Component 1, COA has yet to complete the number of pilot audits using the specialized audit manual. Savings from the grant would also enable COA to partly support participation of its staff in the US Government Accountability Office (US GAO) International Auditor Fellowship Program on Performance Audit.

A. Implementation Status

1. Component 1 - Adoption and Implementation of International Standard of Supreme Audit Institution (ISSAI) based Philippine Public Sector Standards of Auditing

The final draft of the Compliance Audit Manual including Appendices and Annexes has been completed and followed by the activities enumerated below:

(i) Course design and development write-shop has been conducted from October 22 to 27, 2017.
(ii) Courseware has been developed;
(iii) Conducted executive briefing from July 10-12, 2017 attended by 46 participants including Central Office Directors and members of the Technical Working Group;
(iv) Subject Matter Expert to assist in the refinement of the Audit Manual was engaged from July 7 to 8, 2017.
(v) Compliance Audit Seminar/Workshops (roll-out) were conducted from November 8, 2017 to February 8, 2018;
(vi) Compliance Audit was conducted and Management Letters/Audit Observation Memoranda (37 audit reports) were prepared as of February 28, 2018.

2. Component 2 - Development and Adoption of a Specialized Audit Manual for Disaster-Related Funds and Activities

The draft of the specialized audit manual for the audit of disaster funds and activities has been completed and followed by the activities below:

(i) Focus group discussion were conducted from January 25 to 27, 2017 Course design and development write-shop has been conducted from October 22 to 27, 2017 gathered comments/recommendations as input for the revision of the manual;
(ii) The Manual on the audit of disaster funds was approved by the Commission Proper and the use thereof prescribed under COA Resolution No. 2017-018 dated October 12, 2017;
(iii) COA Resolution No 2017-018 prescribing the use of the Manual was uploaded to COA website on October 30, 2017;
(iv) Training of trainers on the application of the manual was conducted from August 8 to September 20, 2017;
II. DESCRIPTION OF PROPOSED CHANGES

The project initial closing date is March 31, 2018. The proposed change aimed at extending the project implementation period for four months with a new closing date at July 31, 2018.

III. SUMMARY OF CHANGES

| Change in Loan Closing Date(s) | Changed | Not Changed |
| Change in Implementation Schedule | ✔ | |
| Change in Implementing Agency | | ✔ |
| Change in Project's Development Objectives | | ✔ |

(vi) Audit Team to conduct pilot audits utilizing the audit process as prescribed in the manual was created through Office Order No. 2018-039 dated January 16, 2018;

(vii) Three audit memoranda were issued as of February 28, 2018 using the specialized manual.

B. Rationale for extension of the closing date

The additional time requested is to allow the completion of the remaining activities as well as new activities that will ensure the full achievement of the PDO and to ensure that the benefits of adopting uniformity of audit practice and assurance services including the compliance with International audit guidelines and best practices in the audit of disaster funds and related activities. The following activities currently underway shall be pursued in the proposed new timeline:

1. Continue training of auditors on ISSAI based audit for Regions IX and XII;
2. Continue the conduct of the remaining pilot audits and preparation of the audit memoranda for the following audit clusters (National Government Sector – Cluster 1, Regional Office No. VII, Regional Office No. IV-B, Regional Office No. II, National Government Sector – Cluster 7 and Regional Office No. XI);
3. Continue the conduct of the remaining pilot audits utilizing the specialized audit manual on the audit of disaster funds and related activities;
5. Quality Assurance Review of the completed audits;
6. Printing and reproduction of the Manual and Compliance Audit and Audit of Disaster Funds;
7. Preparation of the Project Completion Report.

In addition to the extension of the closing date, the client has requested an additional financing that is being considered and would be subject to a separate approval process.
### Change in Results Framework ✔
### Change in Components and Cost ✔
### Cancellations Proposed ✔
### Additional Financing Proposed ✔
### Reallocation between Disbursement Categories ✔
### Change in Disbursements Arrangements ✔
### Change in Disbursement Estimates ✔
### Change in Overall Risk Rating ✔
### Change in Safeguard Policies Triggered ✔
### Change of EA category ✔
### Change in Legal Covenants ✔
### Change in Institutional Arrangements ✔
### Change in Financial Management ✔
### Change in Procurement ✔
### Other Change(s) ✔

## IV. DETAILED CHANGE(S)

### LOAN CLOSING DATE(S)

<table>
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<tr>
<th>TF</th>
<th>Status</th>
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<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
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