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# Annual Report

Fiscal Year  
**2015**

## Internal Audit Vice Presidency

*December 23, 2015*

**PUBLIC**

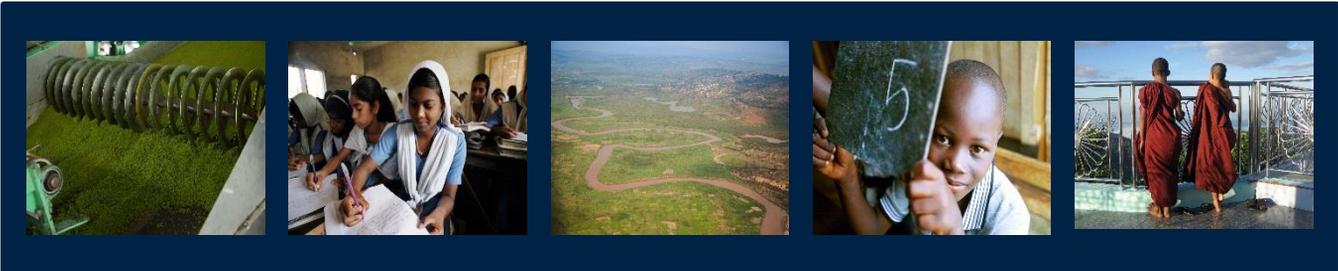
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## Abbreviations and Acronyms

<b>AAA</b>	Analytic and Advisory Activities	<b>ICAM</b>	Identity Credential and Access Management
<b>ADB</b>	Asian Development Bank	<b>IDA</b>	International Development Association
<b>ADM</b>	Accountability and Decision-Making	<b>IEG</b>	Independent Evaluation Group
<b>BETF</b>	Bank-Executed Trust Funds	<b>IFC</b>	International Finance Corporation
<b>BP</b>	Business Partner	<b>IFI</b>	International Financial Institution
<b>BPSVP</b>	Budget, Performance Review and Strategic Planning Vice Presidency	<b>IIA</b>	Institute of Internal Auditors
<b>CA</b>	Chartered Accountant	<b>IMF</b>	International Monetary Fund
<b>CAO</b>	Compliance Advisor/Ombudsman	<b>INT</b>	Integrity Vice Presidency
<b>CCSA</b>	Cross Cutting Solutions Area	<b>IPN</b>	Inspection Panel
<b>CFE</b>	Certified Fraud Examiner	<b>IT</b>	Information Technology
<b>CIA</b>	Certified Internal Auditor	<b>ITS</b>	Information and Technology Solutions
<b>CIF</b>	Climate Investment Fund	<b>ITSSR</b>	Information and Technology Solutions, Security & Risk Management
<b>CIO</b>	Chief Information Officer	<b>MAP</b>	Management Action Plan
<b>CISA</b>	Certified Information System Auditor	<b>MDB</b>	Multilateral Development Bank
<b>CMU</b>	Country Management Unit	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>COE</b>	Center of Expertise	<b>MIP</b>	Medical Insurance Plan
<b>COP</b>	Community of Practice	<b>ORAF</b>	Operational Risk Assessment Framework
<b>CPA</b>	Certified Public Accountant	<b>ORC</b>	Operational Risk Committee
<b>CPF</b>	Country Partnership Framework	<b>ORM</b>	Operational Risk Management
<b>CRO</b>	(WBG) Chief Risk Officer	<b>PMO</b>	Program Management Office
<b>E&amp;S</b>	Environmental and Social (Framework)	<b>PPF</b>	Policies and Procedures Framework
<b>ECR</b>	External and Corporate Relations	<b>PPP</b>	Public–Private Partnership
<b>EFO</b>	Externally Financed Outputs	<b>RAF</b>	Risk Appetite Framework
<b>ER</b>	Expenditure Review	<b>RAS</b>	Reimbursable Advisory Services
<b>ERM</b>	Enterprise Risk Management	<b>RETF</b>	Recipient Executed Trust Funds
<b>ERMG</b>	External Resource Mobilization Group	<b>SAP</b>	Systems, Applications and Products Software
<b>FI</b>	Financial Intermediary	<b>SDGs</b>	Sustainable Development Goals
<b>FIF</b>	Financial Intermediary Fund	<b>SORT</b>	Systematic Operations Risk-rating Tool
<b>FIL</b>	Financial Intermediary Lending	<b>STC</b>	Short Term Consultant
<b>FIR</b>	Final Investigation Reports	<b>STEP</b>	Systematic Tracking of Exchanges in Procurement
<b>FM</b>	Financial Management	<b>TF</b>	Trust Fund
<b>FRC</b>	Finance and Risk Committee	<b>TMS</b>	Treasury Management System
<b>FY</b>	Fiscal Year	<b>TOR</b>	Terms of Reference
<b>GP</b>	Global Practice	<b>UN</b>	United Nations
<b>GRC</b>	Governance Risk Compliance	<b>UN-RIAS</b>	Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions
<b>HR/HRS</b>	Human Resources	<b>VPU</b>	Vice Presidential Unit
<b>HRDVP</b>	Human Resources Vice Presidency	<b>WBG</b>	World Bank Group
<b>HRI</b>	High Risk Issue	<b>WFACS</b>	Corporate Expense Unit of the Finance and Accounting Vice Presidency
<b>IAB</b>	Independent Advisory Board	<b>WPA</b>	Work Program Agreement
<b>IAD</b>	Internal Audit Vice Presidency		
<b>IADB</b>	Inter-American Development Bank		
<b>IBRD</b>	International Bank for Reconstruction and Development		

# Foreword from the Vice President and Auditor General



I am pleased to present the Internal Audit Vice Presidency's (IAD) FY15 Annual Report, which also marks the completion of my first full year as the World Bank Group's (WBG) Vice President and Auditor General. During the past year, leaders and development partners across the world came together to discuss the post-2015 development agenda, culminating in the formulation of the Sustainable Development Goals (SDGs), which present a historic opportunity to chart a new course for global development over the next 15 years. The 2030 agenda aligns well with the World Bank Group's overarching goals of ending extreme poverty and promoting shared prosperity. The World Bank Group pressed forward with its own unprecedented change program during FY15 to become more relevant and deliver better results to clients. In this context, a strong and independent internal audit function that is well positioned to provide objective assurance

and advice to management on the robustness of governance, risk management, and business process controls is indeed imperative to support the achievement of the WBG's strategic goals and change priorities.

During FY15, IAD completed 13 assurance engagements (audits) and 11 advisory reviews, with an additional three assurance engagements and an advisory review in progress at the end of the fiscal year.

Although assurance remained IAD's core product, the higher proportion of advisory reviews (39%) than in the past reflects a deliberate strategy to use advisory reviews to add value by providing timely input to management on key aspects of the change program as they were being designed or implemented. Furthermore, given that almost all business process areas were encompassed by the change process, including operations, finance, budgeting, human resources, and information technology, advisory engagements were deemed appropriate to support core components of the change effort – by providing proactive input and helping management to better forecast, assess, and manage risks emanating from the change program implementation. To this end, IAD's advisory reviews were focused on providing both "insights" and "foresights" at an early stage of change implementation – to help management and the Board understand emerging risks related to the change process and offer key considerations for effective operationalization, taking into account early implementation experience and feedback from stakeholders. Specifically,

- A review of Country Management Unit (CMU) Norming provided a comprehensive "fact-base" covering the CMU landscape, quantitative metrics, and qualitative attributes to inform management deliberation on norming of CMUs, as part of the roll-out of the Bank's new operating model;
- A review of the Information Quality Supporting the Bank's Portfolio Monitoring provided data-driven insights to strengthen aspects related to completeness, reliability, and timeliness of portfolio-level information for monitoring of Bank projects;
- In the information technology area, an advisory review of WBG cloud computing assessed the maturity of WBG's practices and suggested a way forward;
- IAD also undertook advisory reviews of the Bank's Enterprise Risk Management (ERM) and Operational Risk Management (ORM) frameworks to provide upstream input to the WBG Chief Risk Officer (CRO) in the design and codification of the Bank's risk architecture.

The assurance engagements were focused on evaluating whether the governance, risk management, and control processes were designed and operating effectively to mitigate the most critical risks. As part of IAD's risk-based assurance coverage, we reviewed rapidly evolving business areas and areas that were central to the

implementation of the WBG strategy. For example:

- An audit covering International Finance Corporation’s (IFC) Public–Private Partnership (PPP) Transaction Advisory Projects was designed to support WBG’s strategic priority to raise private sector participation in public sector development;
- An audit of Externally Financed Outputs (EFOs) reviewed a funding instrument that is being increasingly used to supplement the Bank budget for work program delivery;
- An audit of Multilateral Investment Guarantee Agency’s (MIGA) integrity risk management examined the early implementation experience in MIGA’s process for screening its clients and partners from an integrity risk perspective, in anticipation of the expansion of client engagements.

Within our own Vice Presidential Unit (VPU), we launched a “Kaizen” initiative to foster continuous improvement across all staff levels. Kaizen is a business concept, originated in Japan, which refers to a continuous improvement approach involving all functions and all employees. The push for Kaizen was cascaded down to all staff as a performance objective to drive ownership. While still in a relatively nascent stage, the “Kaizen mindset” should, over time, help guide improvement efforts and pursuit of innovative solutions in delivering value-added internal audit services. In FY15, we introduced two notable innovations in IAD practices. First, increased focus on the leveraging of data analytics in individual IAD engagements is providing more powerful insights; by accessing source data directly, and analyzing the data sets and establishing linkages among key attributes, data analytics has facilitated greater depth and breadth in IAD’s coverage, while also permitting greater efficiencies in the use of IAD resources. Recognizing the “capacity multiplier” effects of data analytics, we have also provided advisory support to internal Bank units to enable those units to better harness data analytics capabilities. The second innovation is the introduction of a new electronic platform for managing internal audit activities. The introduction of this tool was accompanied by a comprehensive update of IAD’s internal audit methodology and the related procedures. The renewed audit process and tools are in alignment with leading industry practices and will drive greater efficiency and effectiveness in the delivery of audit services. We also completed our strategic staffing exercise during FY15 to calibrate our talent sourcing model, with a sharper focus on building an appropriate cadre of in-house audit staff for core IAD business needs.

During the past year, we also deepened collaboration with other oversight units within WBG as well as other multilateral development banks (MDBs) and development agencies. This enabled IAD to be more informed of the results and practices of other stakeholders and to strengthen feedback loops for learning. For example, IAD started a process for systematically analyzing reports from the Independent Evaluation Group (IEG) and the Integrity Vice Presidency (INT) to better inform IAD’s work and risk coverage. IAD also hosted, together with the Inter-American Development Bank (IADB) and the International Monetary Fund (IMF), a senior-level gathering of internal audit practitioners from MDBs and United Nations (UN) agencies. In addition, IAD collaborated closely with the Institute of Internal Auditors (IIA) and also participated actively in IIA’s global standard setting.

I plan to build on these efforts further during FY16. I am confident that our investments in people, processes, and systems will enable us to further strengthen our contribution to the organization, both as an assurance provider and as a trusted advisor.

**Hiroshi Naka**  
**Vice President and Auditor General**

# Internal Audit Vice Presidency's Mandate

The Internal Audit Vice Presidency (IAD) is an independent and objective assurance and advisory function designed to add value to the World Bank Group (WBG) by improving the operations of WBG's entities. It assists WBG in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes. IAD also focuses on raising awareness of risks and controls, providing advice to management in developing control solutions, and monitoring the implementation of management's corrective actions to mitigate risks and strengthen controls. IAD's work is carried out in accordance with the Institute of Internal Auditors' International Professional Practices Framework.

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## Reporting and Oversight of IAD

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IAD reports to the President and is under the oversight of the Audit Committee. The Audit Committee of the Board of Executive Directors has a mandate to assist the Board in overseeing the WBG's finances, accounting, risk management and internal controls. The Audit Committee oversees the external auditors with respect to the integrity of the financial statements for the entities and financial reporting for trust funds (TF); the Integrity Vice Presidency with respect to anti-fraud and anti-corruption measures; and IAD with respect to governance, risk management, and internal controls. The Audit Committee's responsibilities with respect to IAD include:

- The review of IAD's Terms of Reference and recommendation to the Board for approval.
- The review of IAD's annual Work Program and recommendation to the Board for approval.
- The review of the results of IAD's work covering operations and compliance with key provisions of IBRD/IDA, IFC and MIGA's charters and policies.
- The review of the overall effectiveness of IAD.

On an ongoing basis, but at least quarterly, IAD briefs and updates the President and the Audit Committee on engagement outcomes and the progress of management action plans to improve the WBG controls. IAD also briefs the Audit Committee on any changes to the annual Work Program that may occur as a result of emerging risks, significant changes to the business, or requests from management for advice on internal control matters.



# Governance, Risk Management and Internal Controls – Executive Commentary

This section summarizes IAD’s overarching observations on governance, risk management, and internal controls, based on the assurance and advisory reviews undertaken in FY15. The summary highlights some common themes emerging from IAD’s engagements and provides additional insights on both the progress made by management during the year as well as the challenges that will need continued management attention. The commentary is not exhaustive in content, but rather selective, with particular attention being given to high risk areas and/or issues of strategic importance. We have organized the commentary around the WBG’s eight strategic priorities so as to highlight the linkages between IAD’s work program and the institutional priorities. The commentary is also designed to be forward-looking and constructive by highlighting not only the trends in risk management and governance, but also, and more importantly, the actions that management may need to take to facilitate the achievement of the WBG’s strategic objectives.

**1. Help Clients Tackle the Most Important Development Challenges:** Helping clients tackle development challenges involves the establishment of sound risk management frameworks and the application of internationally accepted standards in projects.

**Environmental and Social (E&S) Framework:** The Bank has worked intensively to update the decades-old safeguard policy to meet the expectations and requirements of the next generation. The proposed new safeguard standards and policies are undergoing third phase consultations to calibrate a delicate balance among different expectations. In FY15, Bank management announced a management action plan that will address weaknesses in the Bank’s internal system to ensure the successful implementation of the new framework. Areas covered in this plan include: risk assessment, monitoring of mitigation measures, checks and balances and accountability arrangements, assignment of technical expertise and skill development, funding for E&S risk management, and institutional leadership. These areas were identified as weaknesses in IAD’s advisory review of the Bank’s E&S risk management in FY14. Some of the actions have already been implemented. For example, management has centralized experienced safeguard senior staff in the policy unit to strengthen the oversight of the implementation of E&S safeguard standards in projects. This new structure will enable the consistent application of standards and policies across projects. As the plan is aligned with the vision of the new safeguard policies, implementation of the actions is critical for the successful launch of the new policy. In FY16, IAD will monitor the implementation of the action plan and provide real-time feedback to management and the Board. Vital actions include the implementation of new budget arrangements for safeguard work, new information systems that can track mitigation measures, and establishment of a recognized career path for E&S specialists.

**Procurement in Projects:** The World Bank’s Board of Executive Directors approved a new Procurement Policy for Investment Project Financing in July 2015. The new Procurement Framework, including the Policy, a Procurement Directive and Procedure for Bank staff, and Procurement Regulations for Borrowers, will go into effect during FY16, when all collective readiness actions are complete. This new policy sets “value for money with integrity” as the core concept, and aims to realize procurement that will enable sustainable development. The new policy, which is more risk-based, clearly defines the roles and responsibilities of the Bank and the clients. It aims to increase the efficiency of the procurement process in Bank-funded projects with an increased focus on risks. The new policy explicitly covers contract management as an extension of procurement activities, and introduces the Bank’s structured oversight of contract management.

In preparation for the implementation of the new policy, management began rolling out an institutional procurement system, the Systematic Tracking of Exchanges in Procurement (STEP), to track and monitor clients’ procurement activities. The data in STEP is being populated in phases. Management expects to improve the effectiveness of the performance measurement framework over time as the information captured in the system is

designed to progressively allow management to benchmark clients' procurement activities against various metrics and identify where bottlenecks are occurring (Bank, borrower, or provider). The development of STEP was partly prompted by an IAD observation of fragmented information systems for procurement tracking and oversight across the Bank in FY12. Effective analysis of procurement data captured in STEP will provide greater insight into clients' procurement activities. Also, it will enable the Bank to identify risk spots in the portfolio more effectively and efficiently. In FY16, IAD will help management update the "procurement post review" process through an advisory review.

**Anti-Fraud and Corruption:** Fraud and corruption is a serious impediment to development. In FY15, Bank management undertook the first analysis of the findings of Final Investigation Reports (FIRs) issued by the Integrity Vice Presidency (INT), the Regional responses to FIRs, and actions undertaken following investigations. The purpose of the report was to channel lessons learned back into operational policies and practices. The necessity for such institutional learning was pointed out in IAD's audit of the Bank's Operational Framework for Using Investigation Results in Bank Funded Projects in FY13. It is important that management continues to undertake such analysis and disseminates the lessons learned to operational staff across sectors and countries.

In FY15, IAD reviewed the arrangements for anti-fraud and corruption measures in individual projects in the audit of Bank's Risk Management in Financial Intermediary Lending Projects. IAD observed that the Bank's requirements for anti-fraud and corruption were not consistently translated into requirements applicable to financial intermediaries, which play a key role in projects, although broader requirements were included in the Bank's agreements with client governments. While fraud and corruption risks appeared relatively low in most financial intermediary lending projects we reviewed, this highlighted the operational challenges of effectively cascading the Bank's expectations on anti-fraud and corruption down through all layers of actors involved in projects.

**Risk in Operations:** Following the mixed results of applying an old risk assessment framework for Bank operations, management launched the Systematic Operations Risk-rating Tool (SORT). SORT, which is a much simpler risk assessment tool than the old framework, Operational Risk Assessment Framework (ORAF), aims to change staff's risk-averse behaviors to an "informed risk taking" approach. SORT is now systematically applied to all Bank lending instruments and Country Partnership Frameworks (CPFs). The design and implementation plan of SORT was finalized with input from IAD's advisory review of ORAF in FY14. In the application of SORT, it is essential to have in place institutional arrangements to confirm the consistent interpretation of risks and assignment of risk ratings, as well as to ensure that risk information is reported to management. In FY16, IAD plans to undertake an advisory review of the use of risk information in Bank operations.

**Data for Development:** Notable progress has been made during FY15 in establishing governance mechanisms for oversight of the Bank's development data. The Data Council was established to provide oversight of development data (as well as corporate data) with a view to (i) addressing concerns about data gaps, consistency and content, and (ii) improving visibility, accountability and coordination across WBG. Other governance initiatives include the establishment of the Global Poverty Working Group, which has been implementing a systematic approach for the collection of household survey data from regions as well as providing a platform for collaborative discussions between key process participants from the Poverty Global Practice (GP) and the Development Economics Vice Presidency. During FY16, IAD will complete a review of the Bank's processes for the collection of data to report on the twin goals of eradicating extreme poverty and increasing shared prosperity.

**Capacity Building of Clients:** Clients' capacity is one of the most important critical success factors in projects.

There is consensus among stakeholders (client governments, shareholders, donors and management) that developing clients' capacity is a high priority. The audit of Risk Management of Financial Intermediary Funds found that while the Bank's project teams identified clients' capacity constraints during project appraisal and highlighted them as an important risk to the achievement of projects' development objectives, explicit plans to develop clients' capacity were not always prepared and agreed with clients upfront. In some projects, clients at the project implementation level were not as interested as the Bank in developing capacity, and as a result, capacity did not grow as fast as the Bank team had expected. Going forward, it is crucial to develop a more effective approach for engaging clients for capacity building. It is also important to measure and document the improvement of capacity over the project cycle.

## **2. Delivering “Integrated” World-Class Development Solutions to Clients**

**One World Bank Group:** A key value proposition underpinning the WBG strategy is that WBG could deliver better solutions to clients if it offered products and services in an integrated manner as “One World Bank Group.” This notion was driven by the increasing calls for public–private sector partnerships to address development needs. Collaboration between the Bank, IFC, and MIGA enables the WBG to offer integrated solutions to clients. Even when a joint approach is not taken, each entity is expected to consider how it can complement the services offered by the other entities.

In this context, IAD conducted an audit of IFC's Management of Public–Private Partnership (PPP) Transaction Advisory Projects, which is a line of business that IFC offers to governments on a fee basis. PPP transaction advisory projects assist governments on how to attract private sector participation to address infrastructure or social service needs. IFC plays the role of an intermediary between the public sector and the private sector. IAD observed that IFC managed PPP transaction advisory projects with good quality controls and continuous learning from experience. However, IFC could further leverage the knowledge and client information gathered by the Bank through their PPP projects and procurement experience with governments. Although a strong commitment to collaboration among WBG institutions was evident at the top management level of the institutions, the vision was not yet fully translated into specific and concrete processes for enabling project teams to take advantage of each other's expertise and offer coordinated solutions to clients. To this end, the new WBG-wide function that was established in FY15 to connect and coordinate PPP-related activities across the WBG (the PPP Cross Cutting Solution Area, or PPP CCSA) has a key role to play in implementing the vision. Going forward, it will be critical to assign adequate authority, resources and tools to the PPP CCSA so that the unit can achieve its mandate.

At the same time, in relation to the “One World Bank Group” approach, there are concerns about perceived or potential “conflict of interest” among different WBG institutions or among different lines of activities within WBG, as well as about potential risks to the confidentiality of client information, which may undermine the sharing of business information among different units. It is imperative for management to clarify the standards and rules of engagement on these points to increase collaboration within WBG. Against this backdrop, audits of the WBG Conflicts of Interest and the implementation of the Policy of Access to Information are underway.

Also, in the context of the One WBG approach, IAD's FY15 advisory on jointness models covering the integrated corporate functions noted the progress to date on delivery of integrated services. It indicated the need for a common understanding amongst all key stakeholders of the intended value proposition of an integrated model (i.e., what are we trying to achieve?) and the rules of engagement (how are we going to achieve it?).

**Providing Global Knowledge to Clients:** One of the key underpinning concepts of the ongoing changes of the WBG is to strengthen the WBG’s position as a global knowledge provider to help clients maximize their development efforts. To realize this goal, management embarked on structural changes of the organization on an unprecedented scale, including the creation of Global Practices (GPs). The vision for GPs is to increase the WBG’s ability to serve its clients by deepening its technical knowledge, ensuring that knowledge flows better and that the WBG can mobilize its staff to where they are most needed with more ease.

While IAD plans to review the effectiveness of the GP structure in the near future, IAD had an opportunity to understand how technical knowledge travelled through different units under the pre-GP structure by reviewing a relatively small Bank portfolio of Financial Intermediary Lending Projects in FY15. In this review, we found that financial sector technical experts were not systematically involved in projects using financial intermediaries, especially in projects managed by non-financial sector units. It will be interesting to examine, on a broader scale, the impact of Global Practices on knowledge flows and accountability arrangements.

An important control enhancement made by management to strengthen knowledge sharing within the Bank to enhance the technical quality of projects was the formalization of the “Peer Review” process. The Peer Review is a quality assurance process in which the project team receives technical advice from experts outside the project team. In FY15, management finalized the accountability of Peer Reviewers and extended the Peer Reviewer’s involvement to the entire project cycle. This action plan originated from IAD’s audit of the Quality Assurance Process in Investment Lending Projects of IBRD/IDA in FY12. Successful application of Peer Reviews will enable the Bank to bring the most relevant knowledge and experience, including the experience of failure, from within the Bank to project teams for their consideration. While the GP structure may be still evolving, it is important for management to implement the Peer Review process as it was designed to ensure the quality of projects.

**Portfolio Monitoring:** Monitoring of activities at the portfolio level is imperative to ensure the timely delivery of high quality results to clients. Portfolio monitoring helps management to understand overall trends and the size of activities, identify and prioritize problems, and take necessary actions swiftly. In this context, in FY15 IAD undertook two reviews related to the portfolio monitoring of Bank operations. The audit of the Bank’s Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients found that management has made significant strides to strengthen portfolio monitoring of AAA at various levels of the institution. Management has completed a major clean-up of obsolete portfolio data within the system to know the real size of the portfolio and clarify accountability of individual projects. The audit found that while a large amount of data was collected about the portfolio, data analysis needed further granularity that would enable management to understand trends in portfolio size and delivery, monitor project costs in relation to project progress, and identify problem projects early. The advisory review of the Information Quality Supporting the Bank’s Portfolio Monitoring also suggested going beyond the current approach for portfolio monitoring that is largely geared towards providing snapshot or point-in-time reports, and strengthening capacity to generate more meaningful information that provides trending information over time. Management is working to place more emphasis on the prospective analysis in portfolio monitoring. IAD’s FY16 program covers IFC’s Processes for Generating Information Supporting Portfolio Oversight.

**Process Simplification:** Recognizing that the Bank’s process for delivery of assistance to clients is unduly complex, Bank management continued pushing the “Process Simplification” initiative under Senior Management’s leadership. The need for improving business processes was also highlighted in the recent Staff Engagement Survey results, and management selected “institutional practices” as one of the priority areas to act upon at the corporate level. Proposals for simplifications were called for, and management quickly responded to some of the suggestions received from staff. For example, duplicated steps, repeated information in documents, and

unnecessary documentation were eliminated in various processes, including project supervision reports; and information systems were enhanced to automate processes.

IAD confirmed the successful implementation of process simplification in the area of “small grants” in an audit of the Bank’s Management of Recipient Executed Trust Funds below \$5 million. We found that the institutional process for small grant projects has been revised to be simpler and more risk-based to reduce the burden on clients as well as the Bank. Further, the process is now fully integrated into the operational information system.

In addition, the launch of the Bank’s Policies and Procedures Framework (PPF) website, which contains a comprehensive catalogue of existing policies and procedures, will contribute to efficiency improvement. The development of PPF was triggered by IAD’s review of WBG’s management of PPF in FY12. Management should also look into the existence of unofficial duplicative processes to address inefficiency. Even though formal processes are simplified, process time will not be shorter if the old steps are followed informally. It will be critical to examine underlying incentives for creating undesirable duplicative processes. In this respect, a recent IFC experience is informative. IFC found that the main factor contributing to its long project preparation time was staff’s behaviors rather than the process itself. IFC is implementing various measures with a focus on influencing staff’s behaviors such as setting time-bound targets for delivery and monitoring progress at the corporate level.

### ***3. Collaborative External Partnerships Aligned with the Goals***

**Partnerships with External Entities:** As the multitude of players involved in development finance has expanded beyond traditional development partners, such as governments, other multilateral development banks and bilateral aid agencies, to non-government organizations, civil societies and private sector entities, the WBG’s internal systems to support partnerships with various external entities need to be expanded and rationalized.

In this context, IAD conducted an audit of the Bank’s Use of Externally Financed Outputs (EFOs). EFO is a financing instrument introduced to receive small funds from donors to supplement the Bank budget for work program delivery. IAD observed that EFO revenues were well integrated into the budgeting process, but strategic analysis on EFOs’ contribution to work program delivery had not taken place. Such an analysis of external fund instruments will inform management’s consideration of an optimal portfolio mix of different sources of funds and a strategy to mobilize funds from various external partners.

Another instrument for working with external partners is Reimbursable Advisory Services (RAS). In the Bank, RAS is an increasingly important way of providing knowledge services to clients, in particular, middle and high income countries. Following IAD’s 2013 audit of the Management of Fees for RAS, in FY15, management introduced measures for financial management standardization of RAS, which had previously been highly diverse. Going forward, it will also be important to rationalize the operational side of RAS, including staffing arrangements for RAS projects and the quality assurance process.

Standardization is also an important institutional agenda for trust funds (TFs). Diverse processes and documentation requirements at the program level across TFs have augmented the transaction costs of TFs. In FY15, IAD observed in the audit of the Bank’s Management of Recipient Executed Trust Funds below \$5 million that parallel documentation and reporting arrangements existed for many TF programs, which was creating duplication of work and slowing down implementation of underlying projects. Another issue about TFs, observed in the audit of the Bank’s Monitoring of the Delivery of Analytic and Advisory Activities (AAA), was that trust-

funded projects were sometimes initiated by central units without confirmed support from country management units. This seems to have contributed to the proliferation of trust-funded AAAs. Management is now addressing these issues by bringing more discipline to the establishment of TFs. The External Resource Mobilization Group (ERMGM) has been constituted recently to strategically align resource mobilization with WBG priorities. An Accountability and Decision-Making (ADM) Framework for Trust Funds has also been rolled out for implementation during FY16. Another encouraging sign is that explicit efforts are taking place between the Bank and development partners for further modernization and standardization of TFs through the Consultative Group on Operational Principles for TFs and Partnerships. For the increased effectiveness of development finance for the achievement of the Sustainable Development Goals, a good alignment among developmental partners, including the WBG, on the framework for the use of funds is essential. In FY16, IAD will undertake an advisory review of TF change initiatives with a focus on governance and accountability.

**Integrity Screening of Partners:** External partnerships also require prudence in the screening of external entities from the integrity point of view to ensure that WBG institutions are not associated with entities with integrity concerns. From this perspective, IAD reviewed MIGA's Integrity Risk Management in FY15. IAD observed that MIGA has a robust process for identifying and assessing the integrity risks of business partners, and also a governance framework that ensures consistency in integrity risk related decisions across projects. IFC also has a strong integrity risk management framework. IAD contributed to the improvement of its practices through an audit of IFC's integrity due diligence in FY13. In FY16, IAD plans to review WBG's integrity screening of non-government organizations.

#### **4. A Financially Strong WBG**

The Board-approved financial sustainability framework measures are critical to strengthening the WBG's financial capacity to support increased lending, reserve accumulation, and funding of corporate priorities. These measures are designed to grow capacity and revenues, secure efficiencies and cost savings through the Expenditure Review (ER) exercise, and operationalize the new strategic planning and budgeting process to more closely align resources with the WBG strategy. In this context, the following considerations merit continued management attention and focus.

**Integration of External Funds:** External funds have increasingly become an integral part of WBG operations. Given their strategic importance and financial significance, implementation of focused governance processes is essential to achieve: (i) integration of resource mobilization into the Strategy & Business Planning Process ("W" Process) to ensure strategic alignment and holistic fund-raising; (ii) shared understanding of accountabilities and responsibilities for trust-funded operations; and (iii) consistent and efficient reporting mechanisms. Significant progress has been made, including centralization of the responsibility for projecting the use of external funds within the Budget, Performance Review and Strategic Planning Vice Presidency (BPSVP), a new methodology to better project the use of Bank-executed trust funds (BETFs), and an improved Work Program Agreement (WPA) process to enhance coordination between Regions and Global Practices on external funds; however, more work remains to be done. Key management actions that IAD will be following up on at the end of FY16 include: (i) monitoring actual use of external funds against unit WPA plans; (ii) completing system updates to support implementation of the new Trust Fund Cost Recovery framework; and (iii) transitioning more reimbursable programs to BETFs as part of the effort to consolidate external funds into fewer, better managed instruments.

**Risk Management Framework:** Senior Management has taken steps towards reducing fragmentation in risk management by bringing together the Bank's financial risk management (market, counterparty, and sovereign

credit risk, operational risk, and enterprise risk) under the oversight of the Chief Risk Officer (CRO). Since the repositioning of the risk function in FY15, the CRO has initiated important steps to streamline the risk architecture, including the establishment of the Finance and Risk Committee (FRC) and the Operational Risk Committee (ORC), and development of model risk management guidelines. Notwithstanding the progress made thus far, the individual foundational components of the risk framework, in the current maturity state, are not yet adequately “wired” to facilitate coordination and integration. Risks are still largely defined, managed, and reported in silos within each functional area, thereby reducing Senior Management and the Board’s ability to form a holistic view of risks at the corporate level. IAD’s advisory work on the Bank’s Enterprise Risk Management (ERM) framework highlighted the need for enterprise risk reporting to be targeted, brief and digestible – especially when it comes to reporting major risk issues to the Board and President – in order to focus management’s attention on the highest priority risks. Other key priorities on the Bank’s risk management agenda include: (i) formally codifying the remit and reporting lines of the CRO and communicating this to all key stakeholders; (ii) formalizing and activating the New Business Committee to strengthen governance for the establishment of new products; (iii) promoting greater risk awareness and a common understanding of roles and responsibilities (especially the delineation of roles between the first line business units and second line risk oversight functions) through outreach and communication tools; and (iv) developing a Risk Appetite Framework (RAF) in the context of the highest priority risks, including establishing clear linkages between SORT and the broader ERM risk framework such that the outputs from SORT can be fully leveraged to inform strategic conversations. On this front, IFC’s new Corporate Risk and Sustainability Unit has been established to promote better oversight of its projects from an integrated risk perspective. IFC is now developing a Risk Appetite Matrix building on the existing ERM. Once implemented, IAD will review the effectiveness of IFC’s ERM system. MIGA has appointed a new Director for Corporate Risk to oversee MIGA’s risk management including its pricing, reinsurance business, internal controls, accounting and financial reporting. During FY16, IAD plans to review the Bank’s Equity Management Framework, which is a key component of the financial sustainability reform package.

**Expenditure Review (ER):** Considering that the design of the ER exercise is intended to ensure a real reduction in the institution’s cost base through enhancing operational and cost efficiency, a robust ER monitoring framework will be vital to track and validate planned ER savings, monitor progress against key milestones, assess program risks, and provide a regular feedback loop to the budget process. During FY16, IAD will undertake a Special Review of the ER process.

**Capital Budget Spending:** As the need to support the implementation of the WBG strategy and change agenda through transformative information technology (IT) has emerged, there has been a significant increase in capital budget allocations. This will necessitate a continued and concerted focus by management to implement strong oversight mechanisms on key aspects such as: (i) sustainability of recurring costs; (ii) delivery capacity to implement large capital budget programs; (iii) prioritization and sequencing; and (iv) progress reporting to Senior Management. During FY16, IAD will undertake an audit of the capital budget process.

## **5. Knowledge, Learning, and Innovation**

**Feedback Loops and Lessons Learned:** A key focus of the WBG’s knowledge and learning agenda has been to improve the ability of the organization to capture and curate knowledge with a view to distilling lessons learned and enhancing feedback loops for continuous learning.

With this institutional priority in mind, IAD’s FY15 reviews highlighted a number of practical and data-driven considerations in specific areas in order to provide concrete examples of lessons learned to inform management’s

decision-making: (i) As the new Global Practice operating model is implemented, IAD noted the importance of drawing on the lessons learned from the implementation experience of the existing jointness models of integrated services, particularly with regard to establishing a shared understanding of the modalities of engagement (funding models, budgeting arrangements, decision authority, collaboration mechanisms, and reporting architecture); (ii) IAD's audit of the Post-Implementation Review of PeopleSoft underscored the need for management to leverage lessons learned by analyzing project results on a retrospective basis, identifying the true root cause of the issues encountered, and proposing potential solutions that could be made centrally to better inform the estimation and execution of other system implementation projects going forward (both related to PeopleSoft and more broadly across WBG); and (iii) IAD's audit of MIGA's Integrity Risk Management in Projects emphasized the importance of systematically reporting and disseminating lessons learned on key integrity risk factors, by expanding the distribution of information to a broader audience within MIGA.

## **6. Information Technology to Deliver Transformative Change**

**Emerging Technology – Enhancing IT Capabilities and Infrastructure:** In the pursuit of its goal to provide all WBG staff with the information and technology tools that will empower the WBG to achieve its twin goals of eradicating extreme poverty and increasing shared prosperity, Information and Technology Solutions (ITS) is introducing a new era of technology at the WBG that leverages advances related to cloud computing, mobile application development and security, collaboration tools, and data analytics.

ITS is moving towards a cloud-enabled target state environment that aligns with WBG's business needs, priorities, and capabilities. The Cloud-First approach has been undertaken to better serve the decentralized front line staff, diverse clients, and partner communities across the globe while aspiring to pursue agility and innovation to meet the WBG's business needs. In support of the Cloud-First approach, ITS has mobilized key stakeholders across the organization to manage risk and govern the adoption of cloud solutions by creating cloud governance bodies, starting to understand cloud capabilities, and developing procedures and reference architectures. The strategy, supported by reference architectures, decision making frameworks, and a multi-phased roadmap, will guide the organization on the consolidation process and cloud implementation approach. The FY15 IAD advisory engagement assessed the ITS' ability and readiness for cloud adoption and provided recommendations for a target architecture and adoption roadmap. In FY16, IAD will be conducting post implementation reviews of two "software as a service" solutions, namely Box and Office365, to assess the controls and processes in place for managing risks inherent in the implementation of these cloud solutions.

In terms of the evolving work environment and technology landscape of the WBG, a mobile and distributed workforce has emerged, where employees expect a consistent, rich user experience across their devices of choice. Mobile devices have changed when and how information is accessed. With the proliferation of mobile devices, the demand for mobile applications is exploding. The WBG is developing several mobile applications to meet business needs and enable its users to access key applications from their mobile devices. With the increasing demand for information and the relative ease of publishing content and providing access to data and systems via mobile applications, there is an increased risk of unauthorized access to and disclosure of data. Although WBG has undertaken a number of initiatives over the past couple of years to establish controls over management of its mobile applications, the FY15 audit of the Mobile Application Development and Security indicates opportunities for improvement in the development of a formalized governance structure, evaluation of business needs, management of third party vendors engaged for developing applications, and maintenance of external mobile applications.

**Cyber and Data Security:** Across the globe, threats to information networks now take many forms, from criminal activity to complex, persistent attacks mounted against corporations, government systems, and private individuals. Insider threats can lead to information technology sabotage, data or information theft, or fraud that could potentially cause harm to the WBG’s business continuity, financial standing, and reputation. The WBG has made a significant effort and investment over the past few years in the area of developing and improving cyber threat monitoring and response capabilities to strengthen WBG’s overall security posture. ITS is also planning to build additional capabilities to respond to emerging threats. The WBG’s Chief Information Officer in a recent post on the topic of cyber security has also emphasized that “Security is the cornerstone of all of our IT initiatives and we do everything possible to protect the WBG. However, I share the opinion of many others in the IT world: Today, doing our best equates to putting in place speed bumps and traffic cones, slowing down maleficent actors, but not stopping them.” Given the evolving threat landscape and emerging threat management capabilities, WBG needs to maintain its focus on improving threat analysis capabilities through automation and advanced data analytics techniques, as well as implementing a comprehensive insider threat management program. In that vein, through the advisory review of WBG Data Analytics for Information Security and Risk Management, IAD assisted ITS in evaluating its current ability to prevent, detect and respond to emerging cyber threats, through security data analytics. The goal is to improve the security posture of the institution and continue to strengthen the WBG’s perimeter security and the security around its most important data. Managing and securing database platforms is therefore imperative to storing and protecting sensitive data. While ITS has already undertaken a number of initiatives over the past couple of years to mitigate risks related to the database platforms and improve overall management of the databases, some key areas of improvement for management to address were identified during the FY15 audit of Database Management.

**Benefits Realization – IT Investment and System Implementation:** The work that IAD has conducted over the years in the domain of system implementation projects, including the FY15 Post Implementation Review of PeopleSoft, the Cash Systems Replacement advisory, and the Mobile Application Development and Security audit, indicates that project success within ITS is measured primarily in terms of projects being implemented on time, within budget and according to scope, with less focus on measuring the business value or benefits being achieved. Business case documents presented to the Governance Board for project approvals are required to identify qualitative and/or quantitative benefits. However, these benefits are generally not measurable, with missing or unclear return on investment or cost/benefit analysis. As a result, it is difficult to validate whether the quantitative or qualitative benefits of the project are realized. While ITS has introduced a comprehensive “assessment methodology” into the project execution lifecycle to provide a better baseline for tracking project scope, schedule and cost, and to establish an architecture roadmap, it is essential to expand the focus to have an overall benefits-based project management approach, where project success is linked to the delivery of benefits, which can be validated through measurement. In the context of benefits realization, the audit of WBG IT Sourcing and Vendor Management also indicated the need for having mechanisms to monitor the achievement of the value proposition from an IT sourcing strategy, with clearly defined targets and measurable outcomes to be achieved.

## **7. Talent Management and HR Reforms**

**HR Change Management Processes:** Given HR’s role as an “enabler” of broader institutional change, the effective implementation of the broader institutional reform agenda depends on HR’s capacity to manage large-scale changes. During FY15, the sheer magnitude and pace of change also meant heightened expectations for HR to better anticipate, contextualize, and respond rapidly and effectively to support the timely implementation of the WBG change components – for example, the transition to Global Practices involved recruitment of 18 Senior Directors and 20 Directors along with a complete remapping of approximately 6,000 staff under a highly

compressed timeline. IAD has observed that the Bank’s HR change management processes could be further strengthened in certain areas such as: (i) the Accountability and Decision-Making (ADM) Framework in terms of the precise delineation of authority and decision protocols for change management within the HR governance hierarchy; (ii) holistic program management capability that explicitly recognizes and manages the interdependencies across multiple change work streams and functional areas within and outside HR; and (iii) timely engagement with business partners and strengthened institutional feedback loops for learning.

A redesigned HR governance operating model to improve accountability and decision-making effectiveness consistent with the ADM framework is scheduled for implementation during FY16. The Human Resources Vice Presidency (HRDVP) has also created a Program Management Office (PMO) with dedicated resources and is currently revisiting the tools to adequately prioritize, sequence, track, monitor and report progress in implementation across multiple initiatives and deliverables, with a focus on identifying interdependencies and ensuring coordination and collaboration within and beyond HR. To enhance rigor in project management, during FY15, HRDVP has established a structured training program for HR staff.

**Redesign of Core HR Processes:** The change agenda has also necessitated a redesign of several core HR business processes, spanning talent acquisition, compensation and benefits, contract architecture, career development and global mobility, performance and rewards, and leadership and organizational development. In order for these changes to be truly effective, it is imperative to ensure that these changes are duly informed by business needs. A good example is the effort to revisit the Bank’s contract architecture to make it “fit for purpose,” in conjunction with assessing and calibrating the skills mix through the ongoing strategic staffing reviews. The strategic staffing exercise will need to take into account dependency risks in critical areas associated with the use of consultants, in light of the volume and nature of the future work program and client needs. Stronger institutional monitoring and governance mechanisms will also need to be in place to review rate-setting, usage, and compliance with institutional policy on short term consultants (STCs). These issues relating to the usage and monitoring of STCs are the focus of a recently formed WBG-wide working group and will be an area in FY16 for follow-up by IAD. In FY16, IAD will also undertake advisory reviews of: (i) the Use of Data Analytics in HR; and (ii) the Medical Insurance Plan (MIP).

## **8. Culture and Staff Behaviors**

As we conclude, we wish to stress that the effectiveness of governance, risk management and internal controls will be maximized only when they are supported by the institution’s culture and staff behaviors. Moreover, culture and staff behaviors will ultimately drive, to a large extent, the overall effectiveness and success of the change program, particularly when it comes to aspects such as collaboration, knowledge sharing, innovation, and risk-taking. Our FY14 Annual Report noted that the institution’s ability to deliver on its strategy will largely depend on the extent to which management and staff behaviors are aligned with key aspects of the change agenda. Enabling informed risk-taking, for example, will require incentivizing teams to share and report risks candidly, and to reflect on lessons learned when risks have not been effectively managed. A key challenge around incentivizing informed risk-taking relates to “What happens when things go wrong, especially inside the institution?” In order to instill and nurture a shared risk culture, additional incentives will be needed to positively reinforce desired behaviors – such as through monetary rewards, non-monetary recognition, rewards for self-identification of risks, and annual challenges for innovations in risk. In addition, it will be important to align business objectives with culture and embed informed risk-taking as an attribute in job requirements and objective setting. Executive sponsorship, candor in discussing challenges, and institutionalizing learning from failure are all aspects that will promote the foundational underpinnings for a shift in culture and incentives. Given the importance of the softer aspects of culture and incentives, IAD will maintain a strong focus on them in its FY16 engagements.

**Hiroshi Naka**

**Vice President and Auditor General**

# Management Response to the IAD FY15 Annual Report

The management team of the World Bank Group (WBG) welcomes the FY15 Annual Report of the Internal Audit Vice Presidency (IAD) and appreciates the forward-looking commentary around the WBG's eight strategic priorities. The commentary reflects the complexity of the WBG's change agenda and the challenges associated with it.

As IAD noted, the WBG has taken concrete steps to stabilize the new operating model to deliver products and services in an integrated manner as One World Bank Group. Increased collaboration among organizational units across the WBG has strengthened the implementation of the WBG strategy. Management notes IAD's concerns about perceived or potential conflict of interest among WBG institutions or among different lines of activities within the WBG. Management recognizes the importance of managing risks of potential conflicts of interest arising from integrated solutions; the WBG entities on specific lending operations are holding continuing discussions to take decisions and implement mitigation measures as needed. Similarly, management will also put in place mitigation measures to address potential risks to the confidentiality of client information.

Management agrees with IAD on the need for continual improvement in how the WBG addresses development challenges and helps clients meet those challenges. For Bank operations, the new risk framework (SORT) is now being applied across all instruments, including Country Partnership Frameworks (CPFs). The Bank is operationalizing institutional arrangements to review consistency across high- and substantial-risk operations and prepare countrywide strategies to mitigate identified risks through the Global Practice groups (Equitable Growth, Finance and Institutions; Human Development and Sustainable Development) and Cross-Cutting Solutions Areas. The Bank is also working to integrate SORT risk information into the risk reporting framework to foster a greater understanding of how risk in Bank operations contributes to the overall enterprise risk profile of the Bank. Close collaboration and information sharing between OPCS and the Operational Risk Department under the WBG CRO is also helping reduce risk fragmentation. Other important reforms include the introduction of new and streamlined standard reports and dashboards for monitoring the portfolio, pipeline, advisory services and analytics, and CPFs. Readiness actions to implement the new Procurement Framework are in progress, and consultations on the new Environmental and Social Framework are at an advanced stage—the framework is expected to go to the Board in FY16.

Management recognizes the importance of effective change management processes to support the WBG's institutional reform agenda. In this regard, Human Resource reforms are at an advanced stage with the implementation of the new ADM framework, and the workforce is adapting to the new operating model. Strategic staffing exercises for FY16 have improved processes for matching resources with business needs. Management continues to reinforce the desired culture and staff behaviors across the WBG.

Management agrees with IAD that good alignment among development partners on the framework for use of funds is essential for greater effectiveness of development finance for the achievement of the Sustainable Development Goals (SDGs). The WBG is preparing to take a leadership role in the implementation of the 2030 SDGs agenda for development by partnering with the UN system and other institutions. The appointment of a Senior VP for the 2030 Development Agenda, UN Relations and Partnerships is a step in this direction. Management has also established the External Resource Mobilization Group to align resource mobilization with WBG priorities.

Management wishes to acknowledge IAD's contribution to improving the WBG's governance, risk management, and internal controls through its audit and advisory reviews. Management also welcomes IAD's "kaizen" initiatives to foster continuous improvement across all staff levels in IAD to enhance its contributions in support of the WBG's strategic priorities.



# Overview and Results of Assurance and Advisory Reviews

## Overview of FY15 Work Program

The FY15 Work Program was designed to focus on the most significant risks for the institution, consistent with the IIA’s International Standards for the Professional Practice of Internal Auditing (Standards 2013), which requires the Chief Audit Executive to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals. The objective was to provide balanced coverage of core operational processes, corporate and finance areas, and information technology.

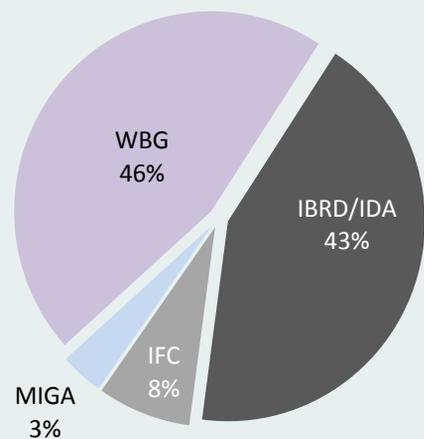
The development of IAD’s FY15 Work Program was undertaken through a comprehensive risk assessment process and extensive consultations with management. IAD’s risk assessment was driven by a number of qualitative factors such as: (i) linkage to strategic objectives and internal reforms; (ii) pace of change within the area; (iii) extent of fiduciary responsibilities; (iv) complexity of the process; (v) potential impact of external events; and (vi) results from IAD’s prior reviews and known risk mitigation mechanisms. In determining engagement priorities, IAD also took into account areas of focus for the President and the Audit Committee.

Twenty-four engagements were completed during FY15 comprising reviews of key end-to-end business processes, spanning operations, corporate and information technology areas. These included thirteen WBG-wide process reviews, nine IBRD/IDA engagements, one IFC specific review, and one MIGA engagement.

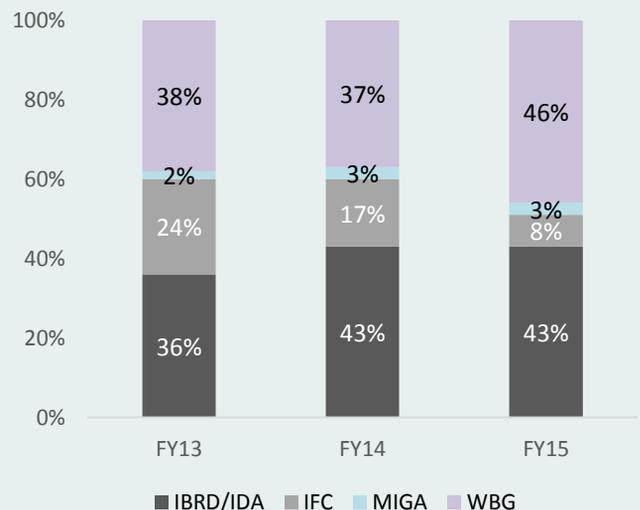
**Figure 1** shows the Work Program breakdown by World Bank Group entity for FY15, and **Figure 2** shows the Work Program breakdown by World Bank Group entity for the three year period FY13–FY15.

In FY15, IAD increased its proportion of WBG-wide engagements from the previous year to draw broader thematic conclusions as well as to compare and contrast practices across entities. Consequently, specific coverage of IFC was reduced, relative to FY14.

**Figure 1: FY15 Work Program Breakdown by Entity (Based on Staff Days)**



**Figure 2: FY15, FY14, and FY13 Work Program Breakdown by Entity (Based on Staff Days)**



## Types of Engagements

IAD performs two primary types of internal audit engagements: assurance and advisory. Professional judgment is applied by IAD management to determine, on a case-by-case basis, whether the engagement area lends itself to an assurance or an advisory review. Factors considered include: (i) maturity of the process, controls, or system being reviewed; (ii) potential to add value to the organization and improve risk management, control and governance processes; (iii) alignment to institutional priorities; (iv) independence and objectivity considerations; (v) proficiency (availability of skills and expertise); and (vi) overall mix of assurance and advisory services in the Work Program.

**Assurance engagements** provide WBG management and the Audit Committee with an independent assessment of existing risk management, control, and governance processes. IAD requires action plans from management for issues identified in assurance engagements and follows up on implementation as and when the action plans become due.

**Advisory engagements** are intended to add value to, and improve the organization’s governance, risk management, and control processes. They provide management with guidance on risk and controls and are typically focused on new and developing processes and systems. IAD’s approach to undertaking advisory engagements is consistent with IIA Standards, and includes necessary safeguards to maintain independence and objectivity, such as having a robust screening process for undertaking advisory projects, so that projects which may impair independence or objectivity are not accepted.

In addition, IAD occasionally performs ad-hoc **special reviews** of specific topics that may not be suitable for either assurance or advisory engagements at the time of the review. All engagements are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors (IIA).

## Strategic Alignment of FY15 Work Program

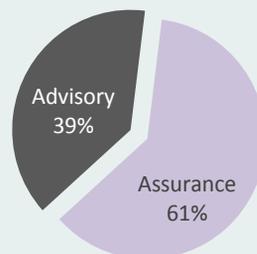
The new WBG strategy is designed to reflect a more unified institution built on the common twin goals of ending extreme poverty and boosting shared prosperity, while respecting the distinct mandates and strengths of each WBG entity.

A major institutional change process is underway to drive internal reforms, realign and reposition WBG to implement the new strategy.

In FY15, IAD increased the proportion of time spent on advisory engagements to 39% to support the WBG Management’s Change Agenda.

**Figure 3** depicts the breakdown of IAD’s staff time in FY15 spent on assurance and advisory engagements.

**Figure 3: FY15 Work Plan Distribution by Engagement Type (Based on Staff Days)**



IAD’s FY15 Work Program remained well aligned to institutional change focus areas. **Figure 4** below provides an overview of IAD’s FY15 coverage of the WBG Change Agenda components.

**Figure 4: Alignment of IAD’s FY15 Coverage with WBG Change Agenda**

<p>Help clients tackle the most important challenges</p>	<p><b>IBRD/IDA:</b> Information Quality Supporting the Bank’s Portfolio Monitoring.</p>
<p>Become the Solutions WBG</p>	<p><b>IBRD/IDA:</b> the Bank’s Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients. <b>IFC:</b> Management of Public–Private Partnership (PPP) Transaction Advisory Projects.</p>
<p>Work in partnership</p>	<p><b>IBRD/IDA:</b> Management of Recipient Executed Trust Funds (RETF) Grant Projects Below \$5 Million; Use of Externally Financed Outputs (EFOs).</p>
<p>Build financial strength</p>	<p><b>WBG:</b> WBG Administrative Expense Monitoring – Travel-Related Expense. <b>IBRD/IDA:</b> Country Management Unit Norming; Specific Aspects of IBRD’s Capital Budget Process.</p>
<p>Enhance Knowledge, Learning and Innovation</p>	<p><b>WBG:</b> Jointness Models.</p>
<p>Deliver transformative IT</p>	<p><b>WBG:</b> Data Privacy; Database Management; Data Analytics for Information Security and Risk Management; WBG ITS Cloud Adoption Roadmap; WBG Cash Systems Replacement Pre-Implementation; WBG IT Sourcing and Vendor Management; WBG Identity Credential and Access Management (ICAM); WBG Mobile Application Development and Security.</p>
<p>Align leadership, culture and values</p>	<p><b>WBG:</b> Jointness Models. <b>IBRD/IDA:</b> Operational Risk Management (ORM) Processes within Finance and Technology Partners; the Bank’s Enterprise Risk Management Framework. <b>MIGA:</b> Integrity Risk Management in MIGA’s Projects.</p>
<p>Advance talent management</p>	<p><b>WBG:</b> HR Processes Change Management; Post Implementation Review of PeopleSoft.</p>

## IAD Engagement Level Ratings

The FY15 assurance engagements were rated in accordance with IAD’s ratings framework, which includes three ratings describing the design and operating effectiveness of internal controls. Advisory engagements, on the other hand, are not rated by IAD.

The following engagement level ratings were used for FY15 assurance engagements:

- **Satisfactory** – Internal Audit identified no significant issues related to the design of controls or to the proper functioning of controls as designed. If issues were noted, they were considered minor in nature.
- **Needs improvement** – Internal Audit identified issues related to the design of the controls and/or in the functioning of the controls. Although none of these issues, either individually or in the aggregate, indicate significant weaknesses, management should address these issues in a timely manner to further strengthen the system of controls.
- **Unsatisfactory** – Internal Audit identified issues that indicate significant weaknesses in the design and/or operating effectiveness of controls. Management should take immediate action to establish a satisfactory system of controls.

Summaries of engagement outcomes were included in the quarterly reports provided to the President and to the Audit Committee.

**Figure 5** shows the engagement level ratings by World Bank Group entity for FY15.

**Figure 5: FY15 Engagement Level Ratings by Entity**

<b>WBG</b>	<b>13</b>
▶ Satisfactory	1
▶ Needs Improvement	6
▶ Unsatisfactory	0
▶ Unrated (Advisory)	6
<b>IBRD/IDA</b>	<b>9</b>
▶ Satisfactory	0
▶ Needs Improvement	4
▶ Unsatisfactory	0
▶ Unrated (Advisory)	5
<b>IFC</b>	<b>1</b>
▶ Satisfactory	0
▶ Needs Improvement	1
▶ Unsatisfactory	0
▶ Unrated (Advisory)	0
<b>MIGA</b>	<b>1</b>
▶ Satisfactory	1
▶ Needs Improvement	0
▶ Unsatisfactory	0
▶ Unrated (Advisory)	0
	<b>24</b>

## IAD Issue Level Ratings

The issues identified as part of the assurance engagements in FY15 were rated in accordance with IAD’s ratings framework, based on the impact and likelihood of the risk exposure identified by the audit issue. Risk exposures are classified according to the risk dimensions identified in WBG’s integrated risk frameworks.

The following issue level ratings were used for FY15 assurance engagements:

- **High** – A serious weakness in control design and/or operating effectiveness that, if not addressed, is likely to impact the entity’s ability to achieve its business objectives, comply with key policies and/or maintain control over mission-critical systems. The issue has a significant impact at the entity level.
- **Medium** – A control design and/or operating effectiveness issue that, if not addressed, may cause loss or reputational damage. The issue has a significant impact on the business or IT process under review.
- **Low** – The issue requires management attention to maintain a satisfactory control environment.

Figure 6 shows the issue level ratings by World Bank Group entity for FY15.

Figure 6: FY15 Issue Level Ratings by Entity

<b>WBG</b>	<b>19</b>
▶ High	4
▶ Medium	13
▶ Low	2
<b>IBRD/IDA</b>	<b>32</b>
▶ High	2
▶ Medium	25
▶ Low	5
<b>IFC</b>	<b>4</b>
▶ High	0
▶ Medium	2
▶ Low	2
<b>MIGA</b>	<b>4</b>
▶ High	0
▶ Medium	0
▶ Low	4
	<b>59</b>

IAD’s FY15 Coverage

IAD’s engagement coverage aims to meet the objectives outlined in its Terms of Reference (TOR), which is in line with leading practices and governance in the internal auditing profession. IAD revised its TOR and gained Audit Committee approval for the document in FY15.

As stated in the TOR, IAD’s assessment is intended to provide reasonable assurance that:

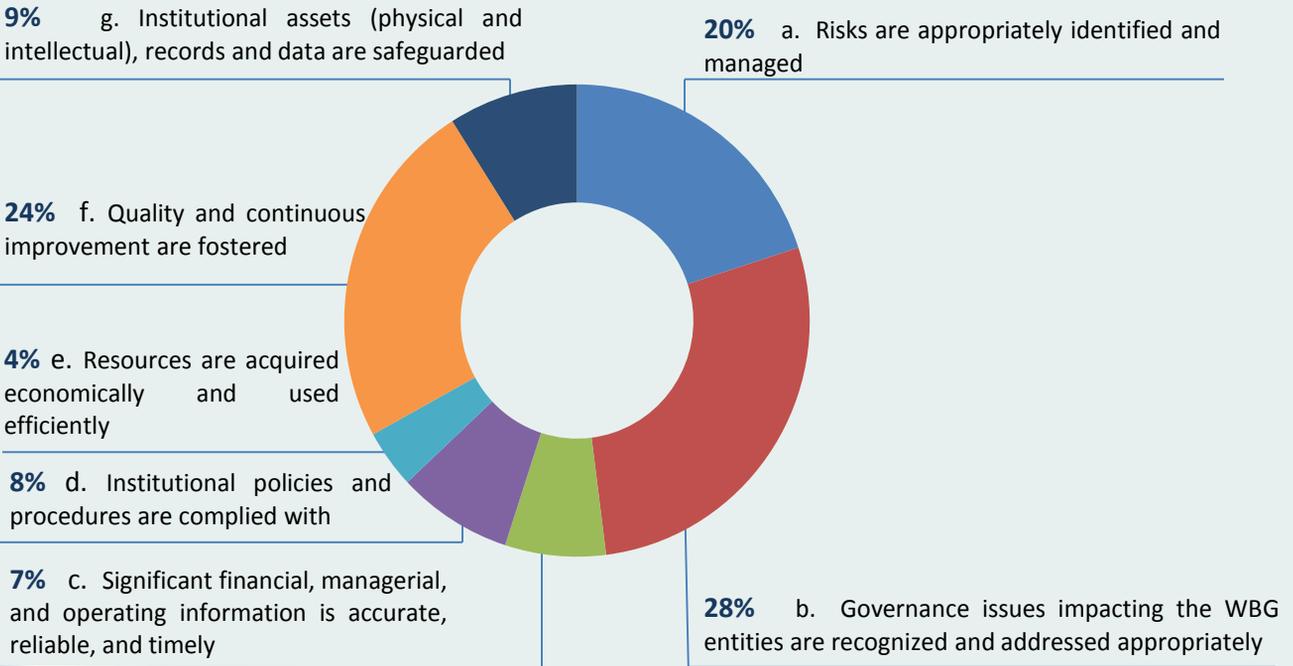
- a. Risks are appropriately identified and managed;
- b. Governance issues impacting the WBG entities are recognized and addressed appropriately;
- c. Significant financial, managerial, and operating information is accurate, reliable, and timely;
- d. Institutional policies and procedures are complied with;

- e. Resources are acquired economically and used efficiently;
- f. Quality and continuous improvement are fostered; and
- g. Institutional assets (physical and intellectual), records and data are safeguarded.

To ensure that IAD’s coverage fully meets the TOR, IAD mapped the objective(s) of each FY15 engagement to the above mentioned objectives. When an engagement covered more than one IAD TOR objective, IAD weighted the components so that every engagement was equally represented in the final distribution.

Figure 7 provides a snapshot of the distribution of IAD’s FY15 assurance and advisory coverage mapped to the seven objectives outlined in its TOR.

**Figure 7: Distribution of IAD’s FY15 Engagement Coverage to the Objectives Outlined in IAD’s TOR**





## FY15 Assurance Engagements

In FY15, IAD conducted 13 assurance engagements. **Figure 8** shows the engagements by WBG entity.

**Figure 8: List of FY15 Assurance Engagements**

WBG		IBRD/IDA	
1	Audit of WBG Data Privacy	8	Audit of Bank’s Management of Recipient Executed Trust Funds (RETF) Grant Projects Below \$5 Million
2	Audit of WBG HR Processes Change Management	9	Audit of the Bank’s Risk Management in Financial Intermediary Lending Projects
3	Audit of WBG Database Management	10	Audit of the Use of Externally Financed Outputs
4	Audit of WBG IT Sourcing and Vendor Management	11	Audit of the Bank’s Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients
5	Audit of WBG Identity Credential and Access Management (ICAM)	<b>IFC</b>	
6	Audit of WBG Mobile Application Development and Security	12	Audit of IFC’s Management of Public-Private Partnership (PPP) Transaction Advisory Projects
7	Post Implementation Review of PeopleSoft	<b>MIGA</b>	
		13	Audit of Integrity Risk Management in MIGA’s Projects

### FY15 Assurance Engagements: WBG

The objective of the audit of **WBG Data Privacy** was to assess the adequacy and effectiveness of: (i) the data privacy governance structure including organizational roles, responsibilities, and management oversight of the WBG’s current data privacy practices; and (ii) the policies and procedures for the collection, storage, use, transfer, and destruction of personal information and the existing practices implemented to ensure the privacy of the data. The audit highlighted that governance, risk management and control processes

over WBG data privacy practices need improvement. There are existing WBG policies such as Principles of Staff Employment, select Staff Rules and Information Security policies that address staff privacy rights and obligations to some degree. These policies and rules address staff privacy rights and provide guidance on protecting personal data related specifically to WBG staff, which is a significant portion of the personal data that WBG collects. However, these policies and principles do not address privacy rights or personal

IMPACT HIGHLIGHT

The audit of **WBG IT Sourcing and Vendor Management** noted significant gaps in overall governance and processes that impact the institution’s ability to sustain effective and efficient management of IT sourcing and vendor management activities. In response to findings from this audit, ITS management agreed to establish a WBG-wide IT sourcing strategy, along with a framework to facilitate measuring, re-calibrating, communicating, and on-going monitoring of the strategy. This strategy will also reassess the scope of activities performed by the Sourcing and Vendor Management Office to ensure controls and processes supporting vendor management activities are defined, understood, and implemented effectively.

data handling practices for data collected on other individuals (e.g., vendors, client/country officials, and private individuals included in studies or surveys). The audit also highlighted that while certain business units have implemented some practices to manage and protect staff data, governance over privacy remains fragmented across the institution.

The objective of the audit of **WBG HR Processes Change Management** was to assess the robustness of HR change management processes to enable broader institutional change including: (i) the accountability structure and roles and responsibilities for change implementation and oversight; (ii) implementation planning; and (iii) implementation processes, including management of changes related to policies, procedures, IT systems and tools. Roles and responsibilities of the HR Leadership Team, Centers of Expertise (COEs), Business Partners (BPs), and the Shared Services unit in the new operating model have been clearly defined to manage the ongoing HR work program and the change management initiatives. Reporting mechanisms have been established whereby HR leadership, Senior Management, and the Board are periodically updated on the progress of the change management initiatives. However, given the critical role of the HR function as an “enabler” and as a “foundational pillar” of the broader institutional change agenda, the robustness and effectiveness of HR change management processes need improvement in the areas of: (i) the Accountability and Decision-Making (ADM) Framework for change management; (ii) holistic program management of HR change initiatives; and (iii) communication and stakeholder engagement. While project level oversight exists for individual change initiatives, there is need for a holistic program management capability that explicitly recognizes and

manages the interdependencies across multiple HR change work streams and functional areas (both within and outside HR).

The objectives of the audit of **WBG Database Management** were to determine whether: (i) database policies, standards, and procedures are defined and implemented; (ii) databases are designed and configured to maintain confidentiality, integrity and availability of the WBG data; and (iii) database changes and patches are implemented in a timely manner and follow a controlled process. The audit noted that ITS has undertaken a number of initiatives over the past couple of years to mitigate risks related to the database platforms and improve overall management of the databases; however, weaknesses exist in the governance over database management, security configurations, database security monitoring and oversight. In addition, the lack of adequate governance and oversight has resulted in inconsistencies and weaknesses in the design and operating effectiveness of key controls over the management and security of database platforms.

The objective of the audit of **WBG IT Sourcing and Vendor Management** was to determine whether governance, risk management, and control processes over the management of WBG’s IT sourcing and vendors were adequate and effective to sustain service excellence, control costs, and mitigate risks throughout the vendor management lifecycle. While recognizing that efforts at the institutional level were underway to establish tighter controls, the audit identified design gaps in the governance framework for the management of WBG IT sourcing and vendor management activities. These gaps included the lack of: (i) structured processes for the defining, measuring,

A key finding from the audit of **WBG Mobile Application Development and Security** was the lack of a formalized governance structure to evaluate needs for external mobile applications and centrally drive development, publication, and maintenance of these applications. This can result in inappropriate or unauthorized applications being published to external application stores, creating reputational risk for the institution. In response to this finding, External and Corporate Relations (ECR) plans to finalize and implement mobile application governance processes modeling the current web and social media governance processes. These processes will include formalized policies, branding guidelines, rules for application publishing, and internal training and awareness.

re-calibrating, and on-going monitoring of an IT sourcing strategy; (ii) an institutional forum for consultations and deliberations over IT sourcing and vendor management risk exposures and activities; and (iii) a formal process for reporting to senior management on key targets, achievements and shortfalls.

The objective of the audit of **WBG Identity Credential and Access Management (ICAM)** was to assess the management of the ICAM program currently in place. The audit concluded that implementation and management of the multi-year ICAM program is based on a clear business case and defined roles and responsibilities. While no significant issues were identified, opportunities to further enhance governance and technology integration related to the program include: (i) directly linking Sailpoint, the system used by the ICAM solution, with PeopleSoft; (ii) integrating ICAM requirements for new applications in the early stages of development; and (iii) establishing a formal process to identify key performance and risk indicators.

The objectives of the audit of **WBG Mobile Application Development and Security** were to confirm whether (i) the processes to evaluate business needs, maintain inventory, and manage the development lifecycle of mobile applications are designed and operating effectively; (ii) mobile applications are developed and implemented to maintain confidentiality, integrity and availability of the WBG data; and (iii) mobile

application changes and patches are implemented timely and follow a controlled process. Despite recent improvements in the overall management of mobile applications, the audit noted that there is no formalized governance structure with clearly defined requirements to evaluate needs for external mobile applications and centrally drive development, publication, and maintenance of such applications. In addition, improvement is needed in the evaluation of business needs, tracking of benefits realization, management of third party vendors engaged for developing applications, and tracking of development and maintenance expenditures of external mobile applications.

The objective of the audit of the **Post Implementation Review of PeopleSoft** was to evaluate whether the key business drivers/objectives of the PeopleSoft 9.1 re-implementation project were met and the intended benefits achieved. While noting that the PeopleSoft 9.1 re-implementation project has now yielded a number of tangible benefits, the audit identified remaining control weaknesses to be addressed, including (i) absence of an effective mechanism to measure the overall success of the project; (ii) absence of a comprehensive post-implementation analysis to draw lessons learned from implementation challenges; (iii) inadequate control over privileged user access; and (iv) further process improvements relating to segregation of duties framework, direct data fixes and change migration processes.

IMPACT HIGHLIGHT

The audit of the **Post Implementation Review of PeopleSoft** highlighted that the PeopleSoft re-implementation project lacked plans for measuring the benefits realized and the overall success of the project, as well as a comprehensive analysis of the “lessons learned” following system implementation. In response to these findings, management has agreed to conduct a comprehensive lessons learned analysis for the PeopleSoft re-implementation project and incorporate learnings into the methodology of future projects. This retrospective analysis will provide insights leading to process enhancements with respect to how the WBG develops and implements IT systems, and improved project management discipline with respect to the management of large projects.

FY15 Assurance Engagements: IBRD/IDA

The objective of the audit of **Bank’s Management of RETF Grant Projects Below \$5 Million** was to assess whether management’s improvement plan for RETF Small Grant Projects was adequately designed to efficiently and effectively manage such projects going forward. The audit concluded that the institutional process for managing Small Grant Projects has been revised to be simpler and more risk-based. Management recently increased the harmonization between the process of the Global Environment Facility, which is the largest source of small grant projects, and the Bank’s Small Grant Procedures. The audit noted inefficiencies and delays in project preparation and implementation phases.

The objective of the audit of the **Bank’s Risk Management in Financial Intermediary Lending (FIL) Projects** was to assess the adequacy of the risk management processes in consideration of the unique characteristics of FIL projects. The audit concluded that the various risks in FIL projects are generally well assessed and closely monitored by the Bank’s task teams during project implementation. Task team members have a strong grasp of project risk and corresponding mitigation measures at the project and sub-project level, and are generally cognizant of the capacity strengths and weaknesses of the financial intermediaries involved in the projects. However, the audit noted that the application of standards in managing risks in FIL projects is inconsistent on environment and social safeguards, client capacity assessment, and anti-fraud and corruption measures. The Bank and IFC should further explore collaboration to leverage knowledge of each other when clients or

markets overlap. Also, management should clarify the approach for analyzing on-lending pricing and subsidies in projects.

The objective of the audit of the **Use of Externally Financed Outputs (EFOs)** was to assess the adequacy of the governance, risk management, and internal controls over EFO processes. The audit noted that while EFO revenues are well integrated into the budgeting process for work program delivery, and the information systems that support the establishment and management of EFOs are well designed and operate effectively, there are also some areas for improvement. These include a need for analyzing EFO contributions to work program delivery at the portfolio level to facilitate their understanding of the operational impact of EFOs. This will further inform their strategic decisions on using the EFO instrument as a funding source going forward. Also, potential inefficiencies coming from the Bank’s inability to receive external funds between \$1 million and \$2 million were identified.

The objective of the audit of the **Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients** was to assess the effectiveness of existing governance and control processes, and the design of ongoing control improvements for monitoring the Bank’s AAA portfolio. The audit concluded that processes are in place to periodically monitor the AAA portfolio at all levels across the Bank, such as the establishment of Regional and Global Practice forums that meet periodically to discuss the status of the AAA

IMPACT HIGHLIGHT

The audit of **Bank’s Management of RETF Grant Projects Below \$5 Million** pointed out that the difference in project processing requirements between the Bank’s institutional procedures and trust fund program-specific requirements was a major cause of inefficiency. Before the audit was concluded, the Board approved a change in the Global Environment Facility’s approval requirements for small-size projects to make them consistent with the Bank’s own procedures. Furthermore, in response to another audit finding that fiduciary resources were not always available for project preparation and supervision in global projects, management recently set up a fiduciary focal point for global projects to assist task team leaders in fiduciary due diligence and supervision.

portfolio, consistent presentation of AAA portfolio information at senior management forums, and regular reporting to the Board in the Quarterly Business and Risk Review. However, there are several areas for improvement, which include the development of more granular institutional AAA

delivery indicators, holistic analysis of cost information (planned and actual) to regularly assess efficiencies in delivering AAA, and advanced portfolio metrics to quantify occurrences of dropped projects and enable the early identification of potential problem projects.

IMPACT HIGHLIGHT

A key finding from the audit of the **Bank's Risk Management in Financial Intermediary Lending (FIL) Projects** was the inconsistent application of environment and social safeguard standards and risk management practices across units. One of management's responses to the audit finding was the establishment of a WBG-wide Community of Practice (COP) to facilitate lessons learned across the Bank, IFC and MIGA in addressing Financial Intermediary (FI) E&S due diligence. The objective was stated in the COP announcement as "to learn how these 'safeguards' and other E&S provisions are being designed, structured and used based on this recent audit and direct experience from those staff working across the teams in the various Global Practices and World Bank Group organizations." At the first COP meeting, IAD presented the findings from the audit.

FY15 Assurance Engagements: IFC

The objective of the audit of **IFC's Management of Public-Private Partnership (PPP) Transaction Advisory Projects** was to assess governance, risk management and internal control over the processes of: (i) strategy setting and implementation; (ii) project identification and selection; and (iii) project structuring and related due diligence. Given the increased strategic importance of PPP projects, the audit noted that further formalization of IFC's bid facilitation process would help governments ensure competition

and transparency in the bidding process and achieve optimal selection results. Furthermore, IFC's PPP advisory unit and the Bank's operations should continue exploring an effective, efficient, and mutually beneficial collaboration model through mechanisms set by the PPP Cross Cutting Solution Area (CCSA). The audit recommended that the working relationship between IFC's PPP transaction advisory unit and the PPP CCSA be defined and tailored to promote further collaboration between IFC and the Bank.

IMPACT HIGHLIGHT

The audit of **PPP Transaction Advisory Projects** pointed out the necessity for systematic arrangements for IFC-WB collaboration on PPP projects and the opportunity for leveraging each other's knowledge on the country's business environment. During the audit, IFC strengthened its arrangement for obtaining input from the Bank's country directors on PPP transaction advisory projects at the concept stage.

### FY15 Assurance Engagements: MIGA

The objective of the audit of **Integrity Risk Management in MIGA’s Projects** was to assess the adequacy and effectiveness of MIGA’s governance, risk management and controls over integrity risk management. The audit concluded that MIGA has adequate governance, risk management and controls over integrity risk management. Management has established a coherent understanding of integrity risk management objectives, risk appetite, and performance

standards. The strategic framework, policies, procedures, and guidelines that define the integrity risk management process have been communicated to MIGA staff and are being consistently implemented. In addition, MIGA has a robust process in place to identify and assess integrity risks during the underwriting phase, and the governance framework ensures consistency in integrity risk related decisions across projects.

### FY15 Advisory Engagements

In FY15, IAD conducted 11 advisory and special reviews. **Figure 9** shows the engagements by WBG entity.

**Figure 9: List of FY15 Advisory and Special Reviews**

WBG		IBRD/IDA	
1	Advisory Review of the Jointness Models	7	Advisory Review of Country Management Unit Norming
2	Advisory Review of WBG IT Compliance	8	Advisory Review of the Information Quality Supporting the Bank’s Portfolio Monitoring
3	Advisory Review of WBG Data Analytics for Information Security and Risk Management	9	Advisory Review of the Bank’s Operational Risk Management (ORM) Processes within Finance and Technology Partners
4	Advisory Review of WBG ITS Cloud Adoption Roadmap	10	Review of Specific Aspects of IBRD’s Capital Budget Process
5	Advisory Review of WBG Cash Systems Replacement Pre-Implementation	11	Advisory Review of the Bank’s Enterprise Risk Management Framework
6	Advisory Review of the WBG Administrative Expense Monitoring – Travel-Related Expense		

### FY15 Advisory Engagements: WBG

The objective of the advisory review of the **Jointness Models** was to provide a “stock-take” of existing jointness models (prior to the establishment of the joint Global Practices and Cross Cutting Solution Areas) and draw lessons therefrom to help inform the effective operationalization of the “One WBG” approach. The review covered existing jointness models, which included the approaches adopted by the WBG integrated functions. The review covered existing

governance structures, accountability for decision making, funding and budgeting approaches, shared service agreements, and management information and reporting systems. A key focus area of the review was to examine the systemic and practical challenges and impediments to effective collaboration at the operating level. The results highlighted the need for considering jointness models in the context of a spectrum of varying

levels of jointness (coordination – collaboration – integration) and that the determination of an “optimal” model depends largely on the extent of jointness necessary to achieve the desired business objectives. The review noted the progress made to date on the Integrated Services delivery model and the measures undertaken in this regard by each of the integrated functions. IAD recommended that management: (i) clarify the objective and intended value proposition of the jointness arrangements (what do we want to achieve?); and (ii) the “rules of engagement” (how are we going to achieve it?) – with regard to governance structures, lines of accountability, decision authority, funding model and reporting arrangements. Other key recommendations included the development of a clear accountability and decision authority framework for “WBG managers” and the determination of an appropriate institutional forum to deliberate and drive institutional consensus on jointness matters.

The objectives of the **WBG IT Compliance** advisory review were to: (i) evaluate the current state of the IT Compliance program and strategy; (ii) determine whether IT Compliance program activities are in line with leading practices; and (iii) assist ITS Security & Risk Management (ITSSR) in developing a strategic and risk-based approach to continue enhancing the IT Compliance program and its maturity level. The review provided a holistic view of the organization’s risk and compliance activities and showcased the intended responsibilities of the IT Compliance function. Directional feedback and assistance was also provided to the IT Governance Risk Compliance (GRC) teams in documenting Responsibility Assignment Matrix and process flows to support the IT GRC activities going forward. The review documented a complete view of the ‘as-is’ state of the IT Compliance function, assessed it against leading practices and provided recommendations for the intended future state. Key

recommendations were categorized as foundational, further enhancements and on-going requirements, and emphasized development of: (i) strong executive sponsorship and governance for the IT GRC functions, (ii) common understanding and clear definition of IT GRC objectives, (iii) clear definition of roles and responsibilities, (iv) prioritization of IT Compliance activities on a risk basis; and (v) a framework to monitor and assess the impact of rule changes to the business and the IT risk environment.

The objective of the advisory review of **WBG Data Analytics for Information Security and Risk Management** was to assist ITS in evaluating its current ability to prevent, detect and respond to emerging cyber threats, through security data analytics. The review documented a complete view of the current state and assessed it against leading practices. The review noted that ITS is well positioned to improve its data collection and aggregation capabilities in support of WBG’s cyber and insider threat prevention activities. The review’s key recommendations included: (i) use of behavioral indicators from different systems to prevent attacks; (ii) establishment of an Insider Threat Program led by a WBG working group to implement sound technical controls, conduct monitoring within legal and policy frameworks, and perform data analytics drawing from disparate sources; and (iii) use of graph analytics to identify potential network vulnerabilities.

The objectives of the advisory review of the **WBG ITS Cloud Adoption Roadmap** were to assess the ability and readiness of ITS for cloud adoption and recommend a target architecture and adoption roadmap through short/medium/long-term initiatives and a prioritized approach for migrating cohorts of applications to cloud. The review noted that ITS is making progress in building a strategy for a cloud-

IAD’s provision of advisory services has played a key role in enabling ITS to execute its cloud-first strategy. The recent advisory review of the **WBG ITS Cloud Adoption Roadmap** supported ITS in building a strategy for a cloud-enabled target environment that is aligned with WBG’s business needs, priorities and capabilities. This strategy is supported by a cloud decision-making framework that should be leveraged by ITS management to ensure that stakeholders’ priorities are taken into consideration and to inform the approach for migrating WBG’s applications to the cloud.

enabled target state environment that is aligned with WBG’s business needs, priorities, and capabilities. It recommended that ITS continue to leverage emerging technologies and establish strategies towards implementing a cloud-enabled environment. It also proposed a three-year roadmap based on three strategic themes: (i) building stronger foundations (year 1); (ii) facilitating a progressive transition to the cloud (years 1 and 2); and (iii) creating a broader cloud adoption across the organization (years 2 and 3). The immediate actions to be taken to establish this solid foundation include conducting a cost-benefit analysis and creating the business case for cloud adoption; defining cloud-based application development standards; leveraging the cloud decision-making framework to develop the application migration roadmap; and training WBG IT staff on cloud technologies.

The objective of the review of the **World Bank Group’s Cash Systems Replacement Pre-Implementation** was to assess the adequacy and effectiveness of the controls around the implementation of the new Treasury Management System (TMS) to confirm that the new system was being developed, configured, and implemented to achieve management’s application control objectives. It concluded that the Cash Systems Replacement project was on track for the scheduled

go-live dates in November 2015. The Project Management Team has established good project governance processes to ensure that the project is monitored against agreed upon milestones and key stakeholders are adequately involved at the right time to make timely decisions. While no significant issues were identified, areas for further consideration as the November go-live dates approach include the handling of test results, validation of IT general controls, and implementation and testing of the data migration strategy.

The objective of the review of the **WBG’s Administrative Expense Monitoring – Travel-Related Expense** was to advise the Corporate Expense Unit of the Finance and Accounting Vice Presidency (WFACS) on the development of a data analytics framework for the continuous monitoring of the WBG’s administrative expenses, with an advisory focus on travel expenses. The review team reviewed WFACS’ current analytics and monitoring capabilities, provided recommendations to achieve the desired end-state, and developed a proof of concept dashboard for continuous monitoring of travel-related expenses. Through the advisory, WFACS will be able to increase efficiency by leveraging a data analytics approach in the monitoring of WBG travel-related expenses.

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### FY15 Advisory Engagements: IBRD/IDA

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The advisory review of the **Country Management Unit (CMU) Norming** was initiated at the request of management, with the objective of providing an independent “fact-base” of qualitative and quantitative inputs to inform management’s deliberation and decision-making on CMU norming.

The scope of the engagement included four key components: (i) the diversity of the CMU landscape; (ii) regional context; (iii) institutional factors and broader qualitative considerations; and (iv) the overlay of relevant operational work program metrics. The review results underscored the importance of: (i) clear

**IMPACT HIGHLIGHT** In the advisory review of the **Information Quality Supporting the Bank’s Portfolio Monitoring**, a key recommendation related to the need to capture the movements “in and out of the Problem Project Status” to better assess the sustainability and durability of the remediation efforts and draw relevant lessons therefrom. The review also recommended the development of more “trending reports” to complement the existing suite of “point-in-time reports” of the active portfolio. Acknowledging the importance of real time information on potential problems during project preparation and implementation, management plans to review all the quality indicators and flags, including the definition of potential problem projects.

communication of the intended objectives of any broader institutional effort to norm the CMU budget; and (ii) the “fit” between the overall objective being pursued and the implementation approach for effective operationalization and for securing the “buy-in” of stakeholders. A key take-away from the review was that moving towards normative staffing approaches through “CMU-based” norms was unlikely to be a viable option given the diversity and heterogeneity of the CMU landscape. IAD recommended that the creativity and insights of Country Directors and Country Managers be fully leveraged to design and achieve ER cost savings that are “sustainable and durable”. IAD also recommended a greater focus on medium-term budget discipline by providing flexibility in CMU staffing decisions to Regional Vice Presidents and Country Directors and by fostering selectivity and work program prioritization through informed budget allocation decisions.

The objective of the advisory review of the **Information Quality Supporting the Bank’s Portfolio Monitoring** was to complement management’s efforts to improve portfolio monitoring by providing fact-based analyses and insights to inform management actions in this area. The review provided an independent “fact-base” focusing on aspects related to completeness, reliability, and timeliness of portfolio-level information used for management deliberation and decision making. The engagement scope primarily focused on the robustness of the management information system supporting: (i) early identification of problem projects and potential problem projects; and (ii) information quality and portfolio quality indicators. A key take-away from the review was that the majority of the projects designated as problem projects are identified by management early in their implementation lifecycle. Early identification of problem projects is crucial, given the implications for project development

outcomes, and beneficial only to the extent that such projects receive commensurate efforts for remediation. IAD recommended that management (i) incorporate metrics at the corporate level for tracking the timeliness of the identification of problem projects; (ii) capture the movements “in and out” of the Problem Project Status to better assess the sustainability and durability of the remediation efforts; (iii) develop more “trending reports” to support management deliberation and decision-making to complement the existing suite of “point-in-time reports” of the active portfolio; and (iv) develop reports at the corporate level to periodically track aging of problem projects.

The objectives of the advisory review of the **Bank’s Operational Risk Management (ORM) Processes within Finance and Technology Partners** were to: (i) review the existing operational risk management processes and practices, and provide additional insights and recommendations to inform management deliberation and decision-making; and (ii) benchmark existing processes with leading industry practices, and provide a comparative analysis tailored to the Bank’s context and operating model. The engagement covered key areas including: (i) governance and oversight structure; (ii) inventorization of the existing practices for operational risk; and (iii) integration with the business continuity program and coordination with relevant business areas. The review noted that although the Bank is not subject to the Basel II Accord, it faces a number of operational risks like any other regulated organization. Key recommendations of the review were to (i) increase visibility and awareness about the purpose and scope of ORM across the Bank; (ii) institutionalize ORM roles and responsibilities across the Three Lines of Defense; and (iii) harmonize committee alignment and escalation pathways to ensure comprehensive governance over operational risk.

An important take-away from the advisory review of the **Bank’s ERM Framework** was the need for ERM reporting to be targeted, brief, and digestible, especially when it comes to reporting major risk issues to the Board and Senior Management Team, in order to focus management’s attention on the highest priority risks. The CRO’s office is now proactively looking to enhance the existing risk aggregation process, with more focus on the “Top Risks” and “Emerging Risks” to the institution.

The objective of the review of **Specific Aspects of IBRD's Capital Budget Process** was to provide management with an independent and objective fact-base that would inform management's response and actions to specific concerns raised by a staff member. These concerns were primarily relating to the Information Technology (IT) capital budget finalization, approval and allocation process for the FY15-17 budget cycle. The review did not find any breach of Bank policies or any intentional attempts to circumvent institutional governance arrangements. The review noted documentation gaps and recommended process and control improvements to provide for a more robust documentation trail in the recording and tracking of budget decisions. The review also noted the need for management to perform more thematic deep dives and targeted reviews on a systematic basis to consistently challenge the cost base and identify opportunities for cost efficiencies.

The objectives of the advisory review of the **Bank's ERM Framework** were to: (i) provide advisory input and recommendations to management on its ongoing work to enhance, and codify the Framework; and (ii) benchmark key components of the Framework with leading industry practices, provide a comparative analysis, and identify opportunities for enhancement that are tailored to the Bank's context and operating model. The review noted that development of a robust ERM architecture will necessarily be a longer-term evolutionary process, and thus provided an implementation roadmap that follows a phased approach. The immediate requirements are a strong three level of defense governance architecture, and the development of a risk management model. Medium and longer term requirements include assessment of the adequacy and completeness of the existing risk committee structures, and development of a risk appetite framework.

# Follow-up on Management Action Plans

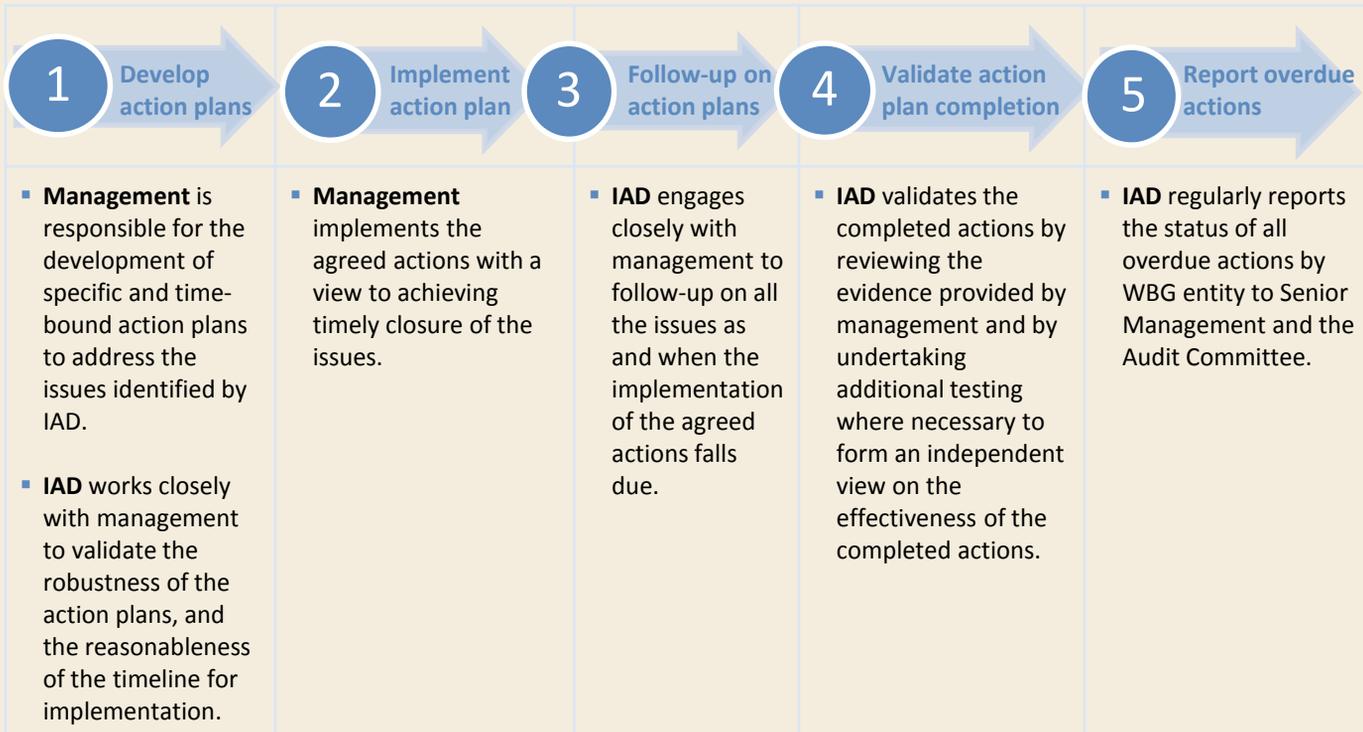
## IAD's Follow-up Process

Many of the weaknesses identified by IAD during assurance engagements need to be addressed through a Management Action Plan (MAP) that sets out the actions to be taken to resolve the issue. The MAP also indicates a date by which implementation is expected to be completed. IAD then obtains updates from management as a way of monitoring MAP implementation and ensuring that the issue is resolved by the agreed upon date. During FY15, IAD has continued to strengthen its follow-up process with the support of the Audit Committee and Senior Management. Specifically, IAD has helped contribute to a culture of accountability, by:

- independently validating the robustness of the action plans formulated by management to address the issues identified in IAD's reviews;
- vetting the reasonableness of the implementation timeline established by management for resolution of audit issues;
- providing more granular information to Senior Management and the Audit Committee on overdue issues. For example, presenting information on overdue issues, broken down by WBG entity, better reflects the responsiveness of individual WBG entities in addressing outstanding issues; and
- flagging specific issues for Senior Management and Audit Committee attention, where insufficient progress has been made with respect to implementation of agreed actions.

IAD's follow-up process is described in **Figure 10** below.

**Figure 10: IAD's Follow-up Process**



## Overview of Management Action Plans

In FY15, IAD raised 59 issues and closed 61 issues after verifying that appropriate actions had been taken by management to address them. Of the 59 issues raised, 6 were rated high.

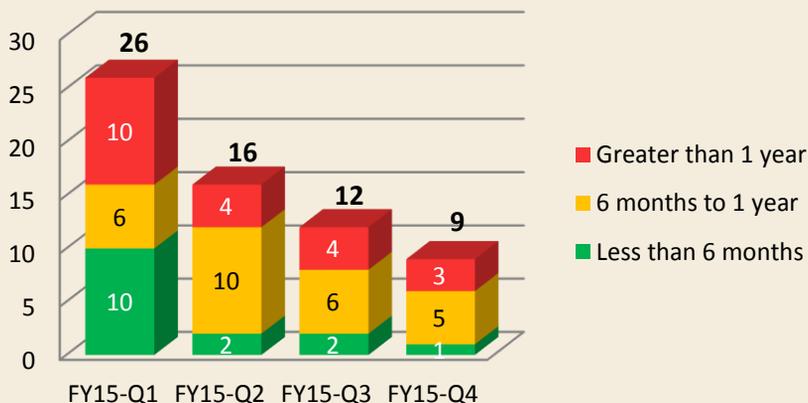
As described in the previous section, IAD follows a rigorous follow-up process, and intensifies the follow-up as MAPs become overdue. There were 26 overdue MAPs in FY15 Q1. IAD conducted a deep-dive root-cause analysis on the overdue MAPs to find the common themes for the delay in their implementation. The broad themes identified through this exercise included:

- a. Dependency on significant policy reform or overall process design;
- b. Lack of clarity of action owners;
- c. Delay in system implementation;
- d. Significant changes in the scope of management corrective actions after initial analysis; and
- e. Difficulties in changing behaviors.

This exercise, which enabled IAD to provide management and the Audit Committee with valuable information on the causes of delays, facilitated the closure of 9 high risk issues (HRIs) during FY15, and the number of overdue MAPs was reduced to 9.

Figure 11 shows the aging analysis of overdue MAPs.

**Figure 11: Aging Analysis of Overdue MAPs**



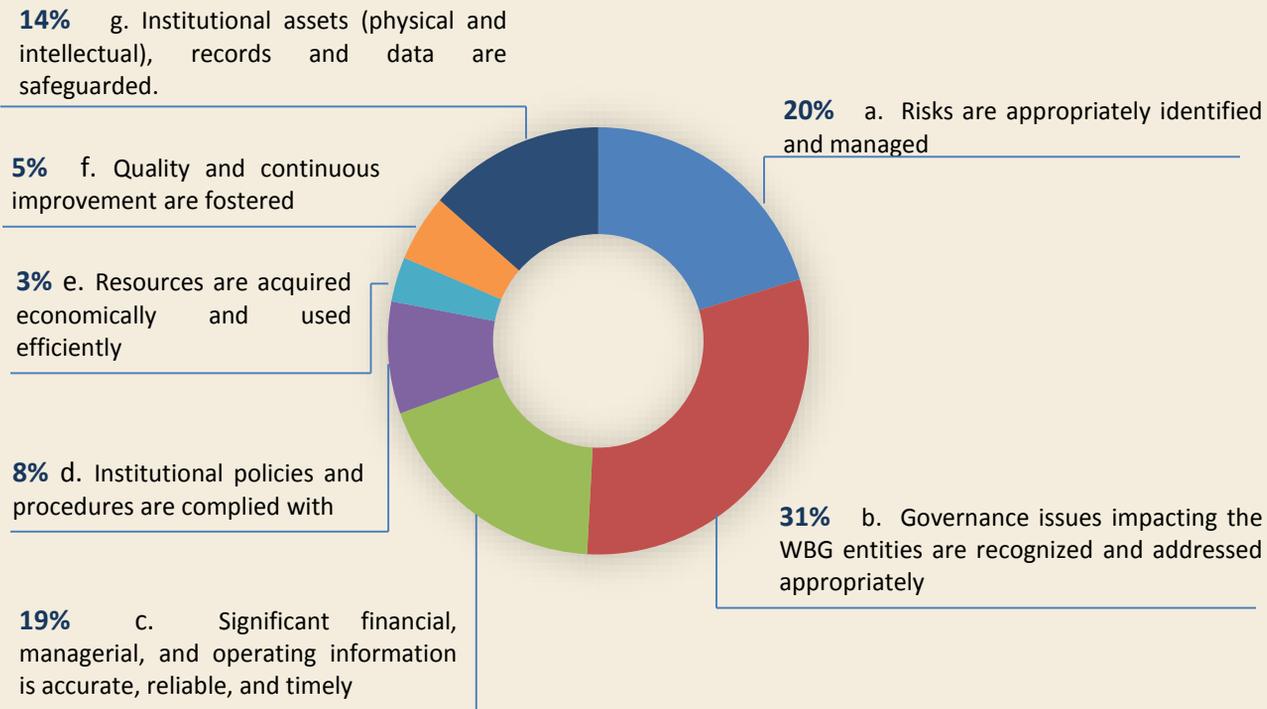
## Impact of Closed Management Action Plans in FY15

In FY15, IAD closed 61 MAPs, after validating that WBG Management had satisfactorily implemented the actions that it had agreed with IAD at the end of the audits. The satisfactory closure of these agreed actions is a measure of the impact of the value that IAD brings to the WBG.

A review of the closed MAPs showed that nearly a third of them helped improve the WBG governance structure and monitoring mechanism.

**Figure 12** gives the distribution of closed MAPs in relation to the objectives outlined in IAD’s TOR.

**Figure 12: Distribution of Closed MAPs in relation to the Objectives Outlined in IAD’s TOR**



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## Examples of High Impact Management Actions Closed in FY15

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In an audit of the ***Bank's Operational Framework for Using Investigation Results in Bank Funded Projects*** conducted in FY12, IAD raised an issue that there was no institutional mechanism for collective learning from the Bank's investigations of projects. Responding to this, management started a systematic analysis of investigation cases and the Bank's response, and issued the *Analysis of INT Findings and Management Response: FY14 Report* in November 2014, which distilled trends and lessons. Based on the analysis, an action plan was developed to strengthen the Bank-wide response to integrity issues in operations.

The issue raised in the FY11 audit of ***Risk Management Framework Governing WBG's Financial Models*** related to the lack of a formalized and consistent model validation process across the World Bank Group. While critical models were typically subject to internal or external validation at inception, a robust and consistent process for the ongoing validation of existing models, and adequate documentation of model validation results or known model limitations, were missing. During FY15, under the oversight of the Chief Risk Officer (CRO), management developed a comprehensive model validation framework for IBRD and MIGA, covering aspects such as governance, standards, inventory, classification, ongoing validation, monitoring, and remediation. For IFC, the Corporate Risk Committee approved the creation of new IFC model risk management directives, expanded the scope of IFC's model validation activities, and established a governance process for overseeing the implementation of the directives.

In the FY14 audit of the ***WBG UNIX Server Management***, IAD highlighted that there was a lack of clarity regarding accountability for managing UNIX servers and monitoring compliance with the WBG UNIX Security Standards, and that information stored in the centralized asset management system was not current or complete. In response to these findings, remedial actions taken by management included the development of a centralized server management strategy, criteria for UNIX-based appliances and UNIX security standards, as well as strengthening of the process to ensure that the server inventory is accurate and regularly updated. These steps will help improve the overall control environment for the UNIX server platform, which is the core operating system hosting the WBG's most critical applications, including SAP, PeopleSoft, and database servers.

In an audit of the ***Management of Procurement Risk in Bank-funded Projects*** in FY12, IAD noted the fragmentation of information systems to support the Bank's oversight of clients' procurement activities in Bank-funded projects. At that time, the Bank was using multiple information systems that were not linked with each other to plan and monitor procurement in projects. Following the audit, management embarked on the streamlining of procurement information systems, first through a procurement dashboard. In FY15, management concluded this initiative by launching a new institutional system, Systematic Tracking of Exchanges in Procurement (STEP) to track and monitor client governments' procurement activities in a risk-based manner. The use of STEP will be mandatory for client governments and reflected in the legal agreement. The information from the system can be used to draw benchmarks on timeliness between different parameters and, for the first time across the Bank, it will be possible to identify bottlenecks (Bank, borrower, or provider). STEP will facilitate the improvement of procurement performance by providing performance data.

# Collaboration with Other Oversight and Risk Management Units and the External Auditor

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## Collaboration with Oversight Units

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The mandates of the oversight functions (IAD, IEG, and INT) are both distinct and complementary to better inform and strengthen the oversight architecture of the institution. IAD's mandate covers risk management, governance and internal controls, while IEG and INT focus on evaluation of development effectiveness and integrity risks of WBG projects, respectively. Inspection Panel (IPN) and Compliance Advisor/Ombudsman (CAO) are environment and social recourse mechanisms for WBG projects. Taken together, they better inform and strengthen the

oversight architecture of the institution. In FY15, IAD continued to build upon the successful collaboration and coordination with other oversight units. Coordination of risk coverage with INT and IEG is a key tenet of IAD's risk assessment and work program delivery process. As IAD covers the entire business processes of the WBG, the work focus of other oversight units provides important input into the IAD work program formulation and individual engagements.



### Input to Risk Assessment

Considerable progress has been made in moving away from an informal and ad-hoc collaboration to a more disciplined and systematic approach, both in terms of better coordination and exchange of relevant operational information for IAD's annual risk assessment and work program formulation. In FY15, IAD built on the practice of sharing and discussing its work program proposals at an early stage of its Work Program formulation exercise to maximize leverage.



### Improved Collaboration

IAD has proactively engaged with IEG and INT in the course of its engagements to utilize their existing bodies of work, and/or technical expertise. In FY15, this was achieved through regular meetings and collaboration at the engagement level, as required, to share information.



### Knowledge Sharing

In FY15, knowledge sharing was achieved through quarterly meetings of the Principals of IAD, IEG and INT (and Principals of Accountability Units IPN and CAO) to discuss common issues of strategic importance. IAD also reviews all Final Investigation Reports (FIR) from INT and analyzes control themes to inform its own continuous risk assessment.

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## Collaboration with Risk Management Units and the External Auditor

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IAD engages closely with WBG Chief Risk Officer (CRO) throughout the year, both at a strategic level and at the engagement level. The ongoing collaboration with CRO is a key component of IAD's overall risk assessment approach and helps IAD contribute to the improvement of WBG's risk management processes. The engagement with the CRO is particularly relevant, considering the ongoing effort by the CRO to strengthen the governance structures, as well as the underlying process and tools for Enterprise Risk

Management (ERM) and Operational Risk Management (ORM). The collaboration with the CRO has been a key priority for IAD, particularly given the repositioning of the Bank's risk function (credit, market, operational, and enterprise risk) under the oversight of the CRO during FY15. IAD also collaborates closely with the Bank's External Auditor throughout the year, including through structured quarterly discussions to exchange information on work program coverage.

## Examples of Collaboration

IAD leveraged **Independent Evaluation Group's (IEG)** evaluation of *the World Bank Group Support to Public–Private Partnerships*, in the planning and analysis of its *Audit of IFC's Management of Public–Private Partnership (PPP) Transaction Advisory Projects*. IAD utilized IEG's analysis of WBG's experience in PPP projects to understand the strategic roles and contributions of IFC's projects in a broader context, and applied the perspective to identify gaps and opportunities in IFC's process for its advisory projects. IAD and IEG teams exchanged views and coordinated throughout the audit cycle.

IAD's advisory work during the year on the Bank's Enterprise Risk Management (ERM) and Operational Risk Management (ORM) was designed to provide upstream value-added input to the **WBG Chief Risk Officer's (CRO)** office in these areas along with relevant benchmarking information using leading industry practices. IAD will continue to engage closely with the CRO as implementation efforts get underway to further streamline and codify the risk framework.

When IAD was conducting an *Audit of the Bank's Risk Management in Financial Intermediary Lending Projects*, the **Integrity Vice Presidency (INT)** was concurrently having a dialogue with the WBG's operational unit for the financial sector on fraud and corruption. The practical insight of INT was applied to IAD's analysis, and IAD pointed out challenges in cascading down anti-fraud and corruption measures in Bank financial intermediary projects.

In the same audit, IAD leveraged the work done by the **Office of the Compliance Advisor/Ombudsman (CAO)** on the application of environment and social safeguard standards in IFC's financial intermediary projects (*CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries*, 2012). IAD learned from IFC's practical experience in this area and used lessons learned in IAD's analysis of the Bank's financial intermediary projects. The IAD team also discussed its observations with the Inspection Panel in relation to the application of the Bank's environment and social safeguard policy.

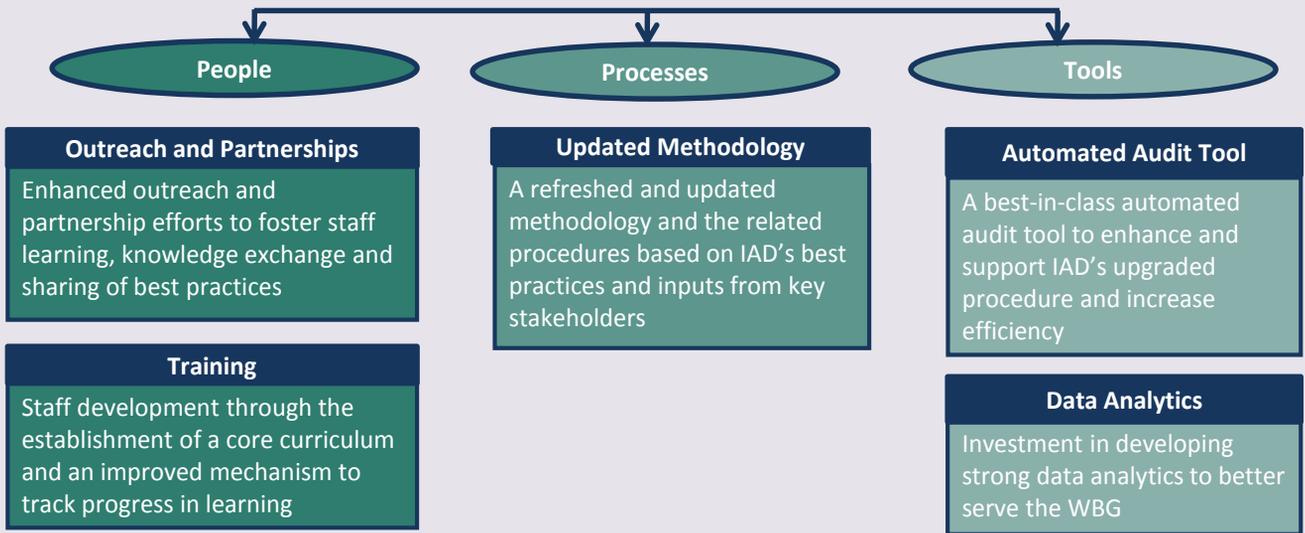
The **Corporate Expense Unit of the Finance and Accounting Vice Presidency (WFACS)** has been developing a data analytics framework for the continuous monitoring of WBG administrative expenses. IAD supported this objective through the advisory review of the WBG's Administrative Expense Monitoring - Travel Related Expense. IAD and WFACS worked together through multiple stages of the project: the utilization of data analytics, and the design, development, implementation, and management of a new, risk-based travel expenses monitoring platform. The new framework will help WFACS attain increased efficiency by leveraging a data analytics approach in the monitoring of WBG travel-related expense.

Through the WBG IT Compliance advisory review, IAD assisted **ITS Security & Risk Management (ITSSR)** in evaluating its current ability to prevent, detect and respond to emerging information security threats through security data analytics. Among other activities, IAD and ITSSR collaborated to identify existing sources of threat data, baseline the current threat assessment process, conduct leading practice analysis, and develop an improvement roadmap. IAD and ITS also conducted a mapping of knowledge areas and capabilities. Implementing the recommendations will help ITS respond to the challenges WBG faces in managing and analyzing the large quantities of threat data obtained from various sources and in creating executive-level reports for leadership situational awareness and response.

# Innovation and Improvement

IAD's key investments to develop its people, strengthen its processes and modernize its tools will position IAD to live up to its continued commitment to align its work with the strategic priorities of the institution and to deliver relevant and high quality reviews in support of those objectives.

**Figure 13: IAD's Innovation and Improvement – People, Processes and Tools**



## Audit Methodology and Procedure

In FY15, IAD achieved significant milestones in its continuous journey to strengthen the supporting infrastructure (people, processes, and tools) needed to deliver its mandate. IAD completed a comprehensive revision of its end-to-end audit procedure to strengthen and streamline its audit delivery process. This exercise was designed to make substantive enhancements in IAD's audit delivery based on an in-depth assessment of all key components of IAD's audit approach, including risk assessment processes, planning and execution of audits, communication protocols, data analytics capabilities, and supporting audit tools and technology.

## Audit Tool

In addition to updating its methodology, IAD selected and implemented a new industry-leading audit tool to better leverage the latest enabling technology platform and support a more efficient and effective audit delivery. The new tool facilitates the implementation of the procedure, empowering IAD staff to spend more time providing value-added services.

## Data Analytics

IAD has made great progress in the ongoing development of a Data Analytics strategy, building up the tools, processes and skills needed to leverage institutional data and modern analytic tools in order to provide more and

better evidence-based insights to the institution. The applicability and use of data analytics techniques are considered in the development of the audit universe to ensure data is effectively captured and objectively and efficiently used in the process. As part of each engagement, IAD assesses if data analytics techniques can be applied to make the engagement more effective and efficient, and utilized to enhance reporting.

## Outreach and Partnerships

In addition to liaising with WBG Senior Management, oversight and accountability, and risk and control units across the institution, IAD works with Multilateral Development Banks (MDBs), International Financial Institutions (IFIs), and international professional associations to forge and advance partnerships that support its mission. This collaborative approach enables IAD to absorb new ideas, share knowledge with partners and network with fellow practitioners.

IAD, along with Inter-American Development Bank (IADB) and the International Monetary Fund (IMF), co-hosted the annual meeting of the Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (UN-RIAS), which provides a platform for knowledge exchange and mutual learning. In the FY15 meeting of Chief Audit Executives of Financial Institutions and Multilateral Development Banks in Luxembourg, IAD presented highlights of its latest work and discussed key internal audit topics with colleagues from other MDBs. IAD also carried out a mission to the Asian Development Bank (ADB) in Manila, strengthening the collaboration between WBG and ADB.

FY15 saw IAD's participation in an array of activities led by the Institute of Internal Auditors (IIA): an IIA Quality Assessment for the Housing Bank of Jordan, the 2014 International Conference in London and the 2015 General Audit Management Conference in Las Vegas. IIA's Vice President Hal Garyn joined the WBG Risk and Reform 2015 Forum in Washington, DC to give a presentation on strengthening governance through internal audit.

Together with WBG's Integrity Vice Presidency (INT), IAD participated in a roundtable seminar with government development agencies in Paris to discuss how to manage integrity risk associated with the use of aid funds. In addition, IAD and INT joined an informal Bilateral Donor Audit and Fraud Roundtable Group meeting in Dublin to provide donors with information about WBG internal audit and fraud investigation functions.

**2014 UN-RIAS participants at World Bank Group's Headquarters in Washington, DC**



In FY16, IAD looks forward to continuing to build and leverage strong partnerships through engaging in dialogue and collaboration with key stakeholders and internal audit colleagues across the world. Additional activities that are scheduled for FY16 include, among others, hosting teams from the United Nations Inspection Unit; staff learning initiatives with ADB, IADB, and the IMF; participation in the IIA 2015 International Conference in Vancouver and the RIAS 2015 Conference in Manila; and hosting of the 2016 meeting of Chief Audit Executives of Financial Institutions and MDBs in Washington, DC.

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## Training and Core Curriculum

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In FY15, IAD developed and launched the Core Curriculum Training Program in order to ensure the coordinated and continuous professional development of its staff. The Core Curriculum encompasses the three areas of audit skills, soft skills and business knowledge. It offers courses that vary in terms of delivery format and time, thus enabling staff to tailor the training program to best meet their specific needs. The Core Curriculum helps staff to build a foundation of essential skills and knowledge with an adequate level of understanding across all areas.

In FY16, IAD will refresh the content of the Core Curriculum based on the feedback received and from participants' evaluation of the training. In addition to the Core Curriculum, staff will receive further enhanced training on the new automated audit tool.

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## IAD Staff

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IAD continued to leverage internal efficiency gains to fully deliver its FY15 Work Program. In line with the institutional "One World Bank Group" theme, to achieve greater efficiency and eliminate working in silos, during FY15, IAD strengthened its delivery model to provide for greater fungibility and internal mobility of staff across functional areas. Consistent with leading practices and the approach followed in prior years, IAD leveraged external subject matter expertise for highly technical IT and business areas.

IAD staff are a group of competent internal audit professionals. Of the total 31 staff members, 33% are Certified Internal Auditors (CIA), 27% Chartered Accountants (CA), 20% Certified Public Accountants (CPA), 23% Certified Information Systems Auditors (CISA), and 20% Certified Fraud Examiners (CFE).

*IAD Staff*





# Appendix A

## IAD Reports Issued in FY15



# Appendix A: IAD Reports issued in FY15

WBG Engagements				
No.	Entity	Engagement Title	Report No.	Date Issued
1	WBG	Advisory Review of the Jointness Models	WBG FY14-08	Sep 25, 2014
2	WBG	Audit of WBG Data Privacy	WBG FY15-01	Dec. 3, 2014
3	WBG	Advisory Review of WBG IT Compliance	WBG FY15-02	Jan 5, 2015
4	WBG	Audit of WBG HR Processes Change Management	WBG FY15-03	Jan 28, 2015
5	WBG	Audit of WBG Database Management	WBG FY15-04	Apr 24, 2015
6	WBG	Advisory Review of WBG Data Analytics for Information Security and Risk Management	WBG FY15-05	Apr 27, 2015
7	WBG	Advisory Review of WBG ITS Cloud Adoption Roadmap	WBG FY15-06	May 19, 2015
8	WBG	Advisory Review of WBG Cash Systems Replacement Pre-Implementation	WBG FY15-08	Jun 30, 2015
9	WBG	Audit of WBG IT Sourcing and Vendor Management	WBG FY15-07	Jun 30, 2015
10	WBG	Audit of WBG Identity Credential and Access Management (ICAM)	WBG FY15-09	Jul 13, 2015
11	WBG	Advisory Review of the WBG Administrative Expense Monitoring – Travel-Related Expense	WBG FY15-10	Jul 16, 2015
12	WBG	Audit of WBG Mobile Application Development and Security	WBG FY15-11	Jul 22, 2015
13	WBG	Post Implementation Review of PeopleSoft	WBG FY15-12	Aug 26, 2015

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 \*As per paragraph 16 (d) of the Bank's Access to Information Policy, July 1, 2010, audit reports prepared by IAD shall not be publicly disclosed, except its finalized Annual and Quarterly Activity Reports.

## IBRD/IDA Engagements

No.	Entity	Engagement Title	Report No.	Date Issued
1	IBRD/IDA	Advisory Review of Country Management Unit (CMU) Norming	IBRD FY15-01	Nov 25, 2014
2	IBRD/IDA	Advisory Review of the Information Quality Supporting the Bank's Portfolio Monitoring	IBRD FY15-02	Feb 12, 2015
3	IBRD/IDA	Advisory Review of the Bank's Operational Risk Management (ORM) Processes within Finance and Technology Partners	IBRD FY15-03	Mar 16, 2015
4	IBRD/IDA	Audit of Bank's Management of Recipient Executed Trust Funds (RETF) Grant Projects Below \$5 Million	IBRD FY15-04	Apr 24, 2015
5	IBRD/IDA	Audit of the Bank's Risk Management in Financial Intermediary Lending Projects	IBRD FY15-05	Jun 3, 2015
6	IBRD/IDA	Review of Specific Aspects of IBRD's Capital Budget Process	IBRD FY15-06	May 19, 2015
7	IBRD/IDA	Advisory Review of the Bank's Enterprise Risk Management Framework	IBRD FY15-07	May 21, 2015
8	IBRD/IDA	Audit of the Use of Externally Financed Outputs	IBRD FY15-08	Jun 10, 2015
9	IBRD/IDA	Audit of the Bank's Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients	IBRD FY15-09	Jul 2, 2015

## IFC Engagements

No.	Entity	Engagement Title	Report No.	Date Issued
1	IFC	Audit of IFC's Management of Public-Private Partnership (PPP) Transaction Advisory Projects	IFC FY15-01	Apr 13, 2015

## MIGA Engagements

No.	Entity	Engagement Title	Report No.	Date Issued
1	MIGA	Audit of Integrity Risk Management in MIGA's Projects	MIGA FY15-01	Jun 16, 2015

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 \*As per paragraph 16 (d) of the Bank's Access to Information Policy, July 1, 2010, audit reports prepared by IAD shall not be publicly disclosed, except its finalized Annual and Quarterly Activity Reports.

## Appendix B

### IAD's Coverage in FY13–15



## Appendix B: IAD's Coverage in FY13–15

IAD's Coverage in FY13–15				
#	WBG Risk Taxonomy	FY15 Engagements	FY14 Engagements	FY13 Engagements
<b>STRATEGIC EFFECTIVENESS</b>				
1	<b>Strategy and Planning</b>	<ul style="list-style-type: none"> <li>Review of the Jointness Models</li> </ul>	<ul style="list-style-type: none"> <li>IT Integration</li> </ul>	<ul style="list-style-type: none"> <li>Bank and IFC Corporate Budget Processes</li> <li>Bank Corporate Scorecard</li> </ul>
2	<b>Corporate Governance, Accountability, and Organizational Structure</b>	<ul style="list-style-type: none"> <li>Country Management Unit Norming</li> </ul>	<ul style="list-style-type: none"> <li>IFC Development Indicators and Corporate Scorecard</li> </ul>	<ul style="list-style-type: none"> <li>Management of Integrity Due Diligence in IFC's Projects</li> </ul>
3	<b>Operational Areas and Policy Framework</b>	<ul style="list-style-type: none"> <li>Information Quality Supporting the Bank's Portfolio Monitoring</li> <li>Bank's Operational Risk Management</li> <li>Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients</li> </ul>	<ul style="list-style-type: none"> <li>Retrospective Review of ORAF Implementation</li> <li>Fee Management of Reimbursable Advisory Services (RAS)</li> </ul>	<ul style="list-style-type: none"> <li>Management of Operational Waivers in Bank Projects</li> <li>WBG Management of its Climate Investment Funds (CIF) Activities</li> <li>Management of IFC's Performance Based Grant Initiative</li> <li>Management of Climate Change Operations</li> <li>Institutional Framework for Managing Financial Activities in Country Offices (IFC)</li> <li>Bank's Management of Rapid Response Operations</li> </ul>

## IAD's Coverage in FY13–15 (continued)

#	WBG Risk Taxonomy	FY15 Engagements	FY14 Engagements	FY13 Engagements
<b>OPERATIONAL EFFICIENCY</b>				
4	<b>Implementation /Supervision</b>	<ul style="list-style-type: none"> <li>• IFC's Management of Public–Private Partnership (PPP) Transaction Advisory Projects</li> <li>• Bank's Risk Management in Financial Intermediary Lending Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Management of Ineligible Expenditures of Bank-Funded Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Resource Allocation Process for Projects' Implementation Support</li> </ul>
5	<b>Environment and Social Safeguards</b>	<ul style="list-style-type: none"> <li>• Bank's Risk Management in Financial Intermediary Lending Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguards Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental and Social Safeguard Risk Management in IFC and MIGA projects</li> </ul>
6	<b>Fraud and Corruption Risks</b>	<ul style="list-style-type: none"> <li>• Bank's Risk Management in Financial Intermediary Lending Projects</li> <li>• Integrity Risk Management in MIGA's Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Review of INT Independent Advisory Board (IAB)</li> </ul>	<ul style="list-style-type: none"> <li>• Bank's Operational Framework for Using Investigation Results in Bank Funded projects</li> </ul>
7	<b>FM, Procurement, and Disbursement</b>	<ul style="list-style-type: none"> <li>• Bank's Risk Management in Financial Intermediary Lending Projects</li> <li>• IFC's Management of Public–Private Partnership (PPP) Transaction Advisory Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Disbursement Assurance Framework</li> </ul>	<ul style="list-style-type: none"> <li>• Bank's Fiduciary Monitoring of Bank-Funded Projects Through External Financial Audits</li> </ul>
8	<b>Management of External Funds</b>	<ul style="list-style-type: none"> <li>• Bank's Management of Recipient Executed Trust Funds (RETF) Grant Projects Below \$5 Million</li> <li>• Use of Externally Financed Outputs</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership Program Management Costs</li> </ul>	<ul style="list-style-type: none"> <li>• Commitments and Disbursements of Below-the-Line Grant Making Facilities</li> <li>• Bank Financial Intermediary Funds (FIFs) Disbursements</li> </ul>
9	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• HR Processes Change Management</li> <li>• Post Implementation Review of PeopleSoft</li> </ul>		<ul style="list-style-type: none"> <li>• WBG Staff Financial Assistance Programs</li> <li>• Bank HR Systems Renewal Program</li> <li>• HRS Global Staff Mobility Processes and Infrastructure</li> <li>• HR Integration</li> </ul>

## IAD's Coverage in FY13–15 (continued)

#	WBG Risk Taxonomy	FY15 Engagements	FY14 Engagements	FY13 Engagements
<b>OPERATIONAL EFFICIENCY</b>				
10	<b>Information Technology</b>	<ul style="list-style-type: none"> <li>• Data Privacy</li> <li>• IT Compliance</li> <li>• Database Management</li> <li>• Data Analytics for Information Security and Risk Management</li> <li>• ITS Cloud Adoption Roadmap</li> <li>• Cash Systems Replacement Pre-Implementation</li> <li>• Post Implementation Review of PeopleSoft</li> </ul>	<ul style="list-style-type: none"> <li>• Unix Operating System</li> <li>• World Bank Open Data Initiative</li> <li>• Country Office IT Operations</li> <li>• Cloud Computing</li> <li>• Cyber Threat Management and Preparedness</li> </ul>	<ul style="list-style-type: none"> <li>• Management of Global IT Communications</li> <li>• WBG IT Integration</li> <li>• Bank and IFC Bank Windows Server Platform</li> </ul>
11	<b>Corporate Areas: (i) Budgeting and Resource Management, Treasury, and Financial Reporting</b>	<ul style="list-style-type: none"> <li>• Review of Specific Aspects of IBRD's Capital Budget Process</li> <li>• Use of Externally Financed Outputs</li> </ul>		<ul style="list-style-type: none"> <li>• Bank's Internal Controls over External Financial Reporting</li> <li>• Bank's Disclosure Controls and Procedures over External Financial Reporting</li> </ul>
	<b>Corporate Areas: (ii) Other Corporate Areas</b>	<ul style="list-style-type: none"> <li>• IT Sourcing and Vendor Management</li> <li>• WBG Administrative Expense Monitoring – Travel-Related Expense</li> <li>• Bank's Enterprise Risk Management Framework</li> <li>• Bank's Operational Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• Bank's Management of Legal Risks</li> </ul>	<ul style="list-style-type: none"> <li>• WBG Records Management</li> <li>• Selection and Use of Consultants for Operational Purposes by WBG Entities</li> <li>• Loan Accounting Operations</li> </ul>

## IAD's Coverage in FY13–15 (continued)

#	WBG Risk Taxonomy	FY15 Engagements	FY14 Engagements	FY13 Engagements
<b>OPERATIONAL EFFICIENCY</b>				
12	<b>Security and Business Disruption</b>	<ul style="list-style-type: none"> <li>Identity Credential and Access Management (ICAM)</li> <li>WBG Mobile Application Development and Security</li> </ul>	<ul style="list-style-type: none"> <li>WBG Internal Network Security</li> </ul>	<ul style="list-style-type: none"> <li>Emergency Relocation/ Evacuation Process in WBG Country Offices</li> <li>Bank Mobile and IFC Computing</li> </ul>
<b>STAKEHOLDER SUPPORT</b>				
13	<b>Stakeholder Support</b>	<ul style="list-style-type: none"> <li>Use of Externally Financed Outputs</li> </ul>	<ul style="list-style-type: none"> <li>Management of IFC Staff Directorships</li> </ul>	
<b>FINANCIAL SOUNDNESS</b>				
14	<b>Financial Risks</b>	<ul style="list-style-type: none"> <li>Bank's Enterprise Risk Management Framework</li> <li>Bank's Operational Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>Process for Pricing MIGA Guarantees</li> <li>Bank Process for Net Income Forecasting</li> <li>IFC – Management of Market Risks in Equity Portfolio</li> <li>IFC – Management of Funding Operations</li> </ul>	<ul style="list-style-type: none"> <li>Bank Capital Markets</li> <li>Management of Finance Systems Renewal</li> <li>IFC Liquid Assets and Cash Management</li> <li>IFC's Loan Collateral Management Processes</li> <li>Counterparty Credit Risk Management</li> </ul>



**WORLD BANK GROUP**  
Internal Audit