



Internal Audit Vice Presidency (IADVP)

FY15 Fourth Quarter Activity Report

September 16, 2015

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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 the WBG 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 risk management, control and governance processes.

The purpose of this report is to provide a high level overview of IAD activities in the quarter to Senior Management and the Audit Committee. This Quarterly Activity Report is also publicly disclosed, under the Bank’s Access to Information Policy.

1. Summary of Key Engagement Outcomes

Despite ongoing efforts to establish tighter controls and service the WBG’s IT needs more effectively, there are design gaps in the governance framework

The multi-year ICAM program is based on a clear business case and defined roles and responsibilities

Thirteen engagements were finalized during the quarter. These included: **four** World Bank Group (WBG) audits, **three** International Bank for Reconstruction and Development/International Development Association (IBRD/IDA) audits, **one** Multilateral Investment Guarantee Agency (MIGA) audit, **three** WBG advisory reviews, and **two** IBRD/IDA advisory reviews.

1. 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, 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.
2. 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.

1. Summary of Key Engagement Outcomes

Needed improvements include the development of a formalized governance structure and supporting processes with clearly defined requirements to evaluate needs for external mobile applications and centrally drive development, publication, and maintenance of such applications

While the system re-implementation project yielded a number of benefits, management needs to address remaining control weaknesses of the system and close the learning loop by drawing lessons from implementation experience.

- 3. 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, and management of third party vendors engaged for developing applications, and tracking of the development and maintenance expenditures of external mobile applications.

- 4. 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 yielded a number of tangible benefits, the audit identified remaining control weaknesses to be addressed, including (i) the absence of an effective mechanism to measure the overall success of the project; (ii) the absence of a comprehensive post-implementation analysis to draw lessons learned from implementation challenges; (iii) control over privileged user access and direct data fixes, change migration processes, data corrections, and segregation of duties.

1. Summary of Key Engagement Outcomes

Despite the generally sound assessment and monitoring of risks in FIL projects, improvements could be achieved through greater consistency in the application of standards in managing risks in FIL projects

While EFO revenues are well integrated into the budgeting process for work program delivery, the use of EFOs can be further strengthened through undertaking a portfolio-level analysis of EFO contributions to work program delivery

- 5. 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.
- 6. 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. Management needs to analyze EFO contributions to work program delivery at the portfolio level to facilitate their understanding of the operational impact of EFOs and 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.

1. Summary of Key Engagement Outcomes

Processes and controls are in place for monitoring the Bank's AAA portfolio, but the development of more granular institutional AAA delivery indicators is needed to enable management to use the information more effectively

MIGA staff are consistently implementing the strategic framework, procedures and guidelines for integrity risk management

The roadmap for the transition to a cloud-based environment starts with the establishment of a solid foundation that includes a sound business case, the definition of standards and well-trained IT staff

- 7. 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 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, areas for improvement 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.
- 8. 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.
- 9. The objectives of the advisory review of the **WBG ITS Cloud Adoption Roadmap** were to assess the ability and readiness of Information and Technology Solutions (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-enabled target state environment that is aligned with WBG's business needs, priorities, and capabilities.

1. Summary of Key Engagement Outcomes

The Cash Systems Replacement project is on track for the scheduled go-live dates in November 2015

Increased efficiency through developing a data analytics framework for the continuous monitoring of travel-related expenses

It recommended that ITS should 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.

- 10. 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 system is 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.

- 11. 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.

1. Summary of Key Engagement Outcomes

Process and control improvements are needed to provide for a more robust documentation trail in the recording and tracking of budget decisions

The review provided an implementation roadmap that covered the three level of defense architecture, the risk management model and the risk appetite framework

12. The objective of the review of **(specific aspects) of IBRD's Capital Budget Process** was to review the Information Technology (IT) capital budget finalization, approval and allocation process for the FY15-17 budget cycle. The review noted documentation gaps and lapses, and recommended process and control improvements to provide for a more robust documentation trail in the recording and tracking of budget decisions. In addition, the Budget, Performance Review and Strategic Planning Vice Presidency (BPSVP) should consider performing more thematic deep dives and targeted reviews on a systematic basis to consistently challenge the cost base and identify opportunities for cost efficiencies.
13. 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 enhancing the three level of defense governance architecture and the development of a risk appetite framework. 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

Annex 1: List of Reports issued in FY15 Q4*

WBG Engagements					
No.	Entity	Engagement Title	Report No.	Quarter Issued	Date Issued
1	WBG	Advisory Review of WBG ITS Cloud Adoption Roadmap	WBG FY15-06	Q4	May 19, 2015
2	WBG	Audit of WBG IT Sourcing and Vendor Management	WBG FY15-07	Q4	Jun 30, 2015
3	WBG	Advisory Review of WBG Cash Systems Replacement Pre-Implementation	WBG FY15-08	Q4	Jun 30, 2015
4	WBG	Audit of WBG Identity Credential and Access Management (ICAM)	WBG FY15-09	Q4	Jul 13, 2015
5	WBG	Advisory Review of the WBG Administrative Expense Monitoring – Travel-Related Expense	WBG FY15-10	Q4	Jul 16, 2015
6	WBG	Audit of WBG Mobile Application Development and Security	WBG FY15-11	Q4	Jul 22, 2015
7	WBG	Post Implementation Review of PeopleSoft	WBG FY15-12	Q4	Aug 26, 2015

IBRD/IDA Engagements					
No.	Entity	Engagement Title	Report No.	Quarter Issued	Date Issued
8	IBRD/IDA	Audit of the Bank's Risk Management in Financial Intermediary Lending Projects	IBRD FY15-05	Q4	Jun 3, 2015
9	IBRD/IDA	Review of (specific aspects) of IBRD's Capital Budget Process	IBRD FY15-06	Q4	May 19, 2015
10	IBRD/IDA	Advisory Review of the Bank's Enterprise Risk Management Framework	IBRD FY15-07	Q4	May 21, 2015
11	IBRD/IDA	Audit of the Use of Externally Financed Outputs	IBRD FY15-08	Q4	Jun 10, 2015
12	IBRD/IDA	Audit of the Bank's Monitoring of the Delivery of Analytic and Advisory Activities (AAA) to Clients	IBRD FY15-09	Q4	Jul 2, 2015

MIGA Engagements					
No.	Entity	Engagement Title	Report No.	Quarter Issued	Date Issued
13	MIGA	Audit of Integrity Risk Management in MIGA's Projects	MIGA FY15-01	Q4	Jun 16, 2015

*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.