

**FOR  
INFORMATION**

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January 14, 2020

To: Members of the Executive Board  
From: The Secretary  
Subject: **Office of Internal Audit—FY 2020 Interim Activity Report**

Board Action: Executive Directors' **information**

Publication: No, due to content sensitivity.

Additional Information: Ahead of the visit of the External Audit Committee, OIA will be available in the Board Committee room on January 21, 2020 to answer questions on this Interim Activity Report.

Questions: Ms. Onyango, OIA (ext. 30511)  
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January 13, 2020

## OFFICE OF INTERNAL AUDIT (OIA)—FY 2020 INTERIM ACTIVITY REPORT

### EXECUTIVE SUMMARY

This report provides an overview of OIA's activities in FY 2020 to date. The report fulfills management's commitment to keep the Executive Board regularly informed on audit and control-related items.

In terms of work completed to date in FY 2020, OIA concluded five engagements - four advisory reviews and one audit - covering: (i) Talent Acquisition; (ii) the Cost-Benefit Analysis (CBA) of the 1HR Program; (iii) the CBA of the Capacity Development Management and Administrative Program (CDMAP); (iv) the Total Remuneration Analysis (TRA) methodology of the Comprehensive Compensation and Benefits Review (CCBR); and (v) an audit of IT Infrastructure Managed Services.

OIA is finalizing five engagements (one advisory review and four audits) that are in reporting phase: (i) Advisory Review of Risk Management Prerogatives of Fund Committees; and audits of (ii) the Fund's Overseas Presence; (iii) the HQ1 Renewal Program's Financial Management; (iv) Quality Control Practices for CD Outputs; and (v) the Administration of the Fund's G-5 Program. In addition, field work for an audit of SWIFT-related Payment Processes and Systems is in an advanced stage. OIA has recently initiated: (i) an audit of the Fund's Enterprise Risk Management Framework; and reviews of specific 1HR Program components (data migration, internal controls). The Tenth Periodic Monitoring Report (PMR) was issued in December ahead of a January 2020 Board meeting.

During the year, OIA adjusted its coverage to swiftly respond to institutional needs and emerging priorities - CCBR methodology, U.S Department of State request on reviewing specific aspects of the Fund's G-5 Program. In response to requests from departments (ICD, ITD) for advisory inputs on specific topics - ICD fundraising technology optimization, ITD vendor management/vendor transition - OIA is undertaking work not originally included in its work plan for FY 2020.

There has been a heightened focus on optimizing OIA's resource envelope by focusing on productivity improvements. Based on input gathered from OIA staff at an office retreat, for work practice improvements in specific areas, action plans are being defined for implementation over the next 12-18 months. OIA has also initiated steps to complete the staffing of its vacant positions by early FY21.

Approved By  
Nancy Onyango

Prepared by Office of Internal Audit

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## INTRODUCTION

1. **This report fulfills the Managing Director’s commitment to regularly share information with the Board on audit and control-related matters and provides an overview of the Office of Internal Audit’s (OIA) activities in FY 2020 to date.** The report includes a summary of the work completed and underway in the first half of FY 2020; results of OIA’s follow up work on outstanding internal control issues; and an overview of key internal OIA activities.
2. **On January 21, 2020, a question and answer (Q&A) session with OIA is scheduled for Executive Directors and their offices.** This session will help Executive Directors to prepare for the visit of the External Audit Committee (EAC) by providing an opportunity to discuss FY 2020 audit coverage to date with OIA staff.

## OIA’S MANDATE

3. **OIA is an independent assurance and advisory function designed to protect and strengthen the Fund.** The mission<sup>1</sup> of OIA is to: (i) bring a systematic and disciplined approach to assess and improve the effectiveness of the Fund’s governance, risk management processes, and internal controls; and (ii) act as an advisor and catalyst for the improvement of the Fund’s business processes by advising on best practice and the development of cost-effective control solutions.
4. **OIA’s work is carried out in accordance with the Institute of Internal Auditors’ (IIA) International Professional Practices Framework (IPPF).** To provide for the independence of OIA, the Director of OIA reports to Fund management, and maintains a functional reporting relationship with the EAC.

## SUMMARY OF WORK COMPLETED TO DATE IN FY 2020

### A. Review of Cost-Benefit Analysis (CBA) of the 1HR Program (issued May 2019)

5. **OIA’s FY 2020 Program of Work includes scheduled reviews of the CBAs of the Fund’s key business and digital modernization projects.** OIA’s CBA reviews intend to provide an independent view and objective validation of the principles, approach and assumptions underpinning the CBAs.
6. **The first such review covered the 1HR Program.** The 1HR Program is designed to modernize and transform the Fund’s Human Resource (HR) processes and systems. It aims to improve delivery of HR services; strengthen internal controls; and implement HR strategy reforms. OIA noted that the 1HR team had taken a systematic approach to factor in estimates of one-time

<sup>1</sup> Source: OIA Charter (Approved in May 2017).

and recurring costs, capturable benefits, and non-capturable benefits based on the best available information. OIA’s memo outlined some considerations and key assumptions underpinning the 1HR CBA, changes to which could have an impact on the estimated costs and benefits over the life of the 1HR program. OIA stressed the importance of updating the CBA on an ongoing basis – by validating and refreshing the cost and benefit estimates based on any potential changes in assumptions or approach - and to inform ongoing decision-making by the 1HR Steering Committee and the Committee on Business Information and Technology (CBIT).

## B. Advisory Review of Talent Acquisition (issued June 2019)

**7. This advisory review analyzed the strategic effectiveness and efficiency of the Fund’s talent acquisition program in meeting the Fund’s needs.** The review provided forward-looking recommendations based on leading practices, and in the context of the HR modernization efforts.

**8. The review noted that the Fund’s talent acquisition program has been broadly effective in meeting departmental hiring needs, but also identified several opportunities to enhance talent acquisition into the Fund.** HRD will take the findings of this review into account in configuring the redesigned talent acquisition processes for Workday in the 1HR Program.

## C. Review of Cost-Benefit Analysis (CBA) of the Capacity Development Management and Administrative Program (CDMAP) (issued September 2019)

**9. OIA’s second CBA review covered the Capacity Development Management and Administrative Program (CDMAP).** CDMAP aims to provide better information for strategic decision making and implementation in CD resource allocation; and strengthen integration of CD with surveillance and lending activities.

**10. OIA concluded that the CDMAP team has adopted an inclusive and consultative approach in preparing the CBA.** The team has budgeted for major program costs, including backfilled contractual resources and a small contingency for minor IT solution customization. Given the activity cost data limitations, the CDMAP team has adopted a reasonable approach in estimating capturable benefits from the program. OIA emphasized that it will be important to ensure that adequate data quality controls and sound data governance practices are built into business processes when designing the IT solution, to realize the intended strategic benefits, as the project team has recognized.

## D. Audit of IT Infrastructure Managed Services (issued September 2019)

**11. This audit assessed the governance arrangements, processes, and controls over the recently transitioned IT Infrastructure Managed Services.** In 2016, as part of the “TransformIT” initiative, the Fund decided to transition ITD’s operational IT infrastructure support from a staff augmentation model to a managed services model. After a structured vendor selection process,

Larsen & Toubro Infotech (LTI) was selected as the managed services provider (MSP). LTI is considered a key vendor for the Fund. The objectives of the MSP transition include: reducing infrastructure service operating costs; addressing resourcing constraints for critical services; improving service delivery through process improvement and automation; and improving service consistency and adherence to service levels. All the key business and digital modernization projects on ITD's work program (i.e., 1HR, Capacity Development Management and Administration Program (CDMAP), Digital Workspace, Knowledge Management, and iData) as well as other Fund applications rely on the effective operation of the underlying IT infrastructure.

**12. The audit found that many good control practices instituted during the planning and transition phases have positioned the Fund well to oversee the MSP.** These include strong contractual clauses, upfront security controls identification and design work, and the identification of Service Level Agreements (SLAs) and governance mechanisms upfront as part of the contract. The MSP arrangement has also yielded cost efficiencies (budget and staff reduction) for ITD, which was one of the key objectives of the transition.

**13. The audit identified areas that need to be strengthened to more robustly manage and measure service delivery, and to hold the MSP accountable.** Specifically: (i) despite the efforts taken so far, continued change management efforts are warranted to enable staff to adjust effectively to the onsite-offshore model, and to switch from their former technical role to the new service manager role; (ii) governance arrangements need to be strengthened in some areas, including proactively identifying and documenting a contingency plan to minimize the key vendor dependency risk, systematically tracking and following up on strategic and recurring issues related to the MSP, and developing a framework to fully measure benefits realization; (iii) current contractual SLAs alone are not equipped to identify service delivery issues and need to be complemented with additional service delivery metrics that are routinely monitored and discussed with the MSP. Further, controls around computation and validation of SLAs should be strengthened; (iv) the MSP's processes to identify root causes and implement risk mitigation measures for information security incidents need more rigor. In this context, it will also be important to address issues pertaining to Identity and Access Management raised in past OIA audits; and (v) there is a need for greater rigor in monitoring the MSP's obligations and commitments in a timely and effective manner.

**14. ITD shared detailed and time-bound action plans to address the issues noted in the report,** with all remedial actions targeted to be completed by end of FY20. Given the importance of the services rendered by the MSP, and the significance of the issues identified, it will be important for ITD to implement the corrective actions in a timely manner.

## **E. Review of CCBR Total Remuneration Analysis Methodology (issued November 2019)**

**15. OIA's review of the Total Remuneration Analysis (TRA) component of the Comprehensive Compensation and Benefits Review (CCBR) was initiated in response to management's request for an independent validation of specific methodology questions**

**related to the CCBR.** This request was made in the context of the Staff Association Committee’s concerns regarding the CCBR methodology. The TRA exercise is a quantitative comparison of the value of a portfolio of the “Fund’s main salary and benefit programs” against a portfolio of the same or similar programs for the comparators.

**16. OIA’s overall conclusion was that the TRA methodology assumptions proposed and used by the CCBR external consultants provided a robust basis for benchmarking.** The review assessed the robustness of key methodology aspects used to develop the TRA. OIA also considered the results of additional “what-if” analyses, executed by the CCBR external consultants in response to OIA’s requests, to specifically assess the impact of city specific cost-of-living adjustments and child care benefits on the TRA aggregate rollups for the comparator International Financial Institutions (IFIs). The results of these specific “what-if” analyses based on the assumptions made by the CCBR external consultants, indicated that there were no changes to the previously presented relative ranking of the Fund in the overall TRA comparison.

## ENGAGEMENTS IN REPORTING/FIELDWORK PHASE

### A. Advisory Review of Risk Management Prerogatives of Fund Committees (reporting underway)

**17. This OIA advisory engagement, conducted at the request of the Fund Risk Committee (FRC), reviewed the risk management prerogatives of the various standing committees and groups (management-chaired and staff-led).**

**18. OIA’s recommendations and analyses were presented to management at the end of FY19.** The Office of Risk Management (ORM) is scheduling a meeting of the FRC in Q4 of FY 2020 to discuss proposed action items to address OIA’s recommendations (such as codifying and adopting a charter to more precisely define the mandate for FRC). OIA’s report will be finalized following the discussion at the FRC so that the report can usefully incorporate planned implementation steps.

### B. Audit of the Fund’s Overseas Presence (reporting underway)

**19. This audit was designed to assess the adequacy of the existing governance arrangements, processes, and controls relating to the administration of the Fund’s field offices.** It covered the following areas: (i) local employment; (ii) physical security, including business continuity; (iii) IT support including local IT service contracts; (iv) budget and financial administration; and (v) real estate operations. Specifically, the scope included: the governance, accountability and oversight structure - delineation of roles and responsibilities across relevant departments; policies, procedures, and processes that support the operations of the Fund’s field offices; control and compliance mechanisms, the processes for identifying, escalating and resolving issues and mitigating risks; and the availability and use of reliable data for monitoring, management reporting, and decision making. Fieldwork for the audit included a combination of testing and interviews at

Fund's HQ; field visits (conducted in three phases between September 2018 and February 2019); audio/video conferences for a sample of locations; and a structured survey – which was sent to all field offices.

**20. Since 2005, the Fund has decentralized the implementation of administrative support policies to area departments and to the field offices. The audit noted that this well-intentioned decentralization effort has however not been underpinned by a sufficiently robust “administrative infrastructure”** - of institutional policies, procedures, systems, central oversight, clear delineation of roles, and compliance mechanisms – that can help drive consistency of practices across field offices, and act as an enabler and a guardrail for the effective conduct of decentralized field office operations.

**21. Several institutional initiatives are already underway to strengthen the current administrative mechanisms and address gaps.** The draft findings of the report have been circulated to departments, and OIA has requested that departments provide action plans to mitigate residual risks noted in the various administrative areas reviewed. Issuance of the final report is targeted for Q4 2020.

### C. Audit of the HQ1 Renewal Program’s Financial Management (reporting underway)

**22. The HQ1 Renewal program was established in 2011 to address the aging 40-year-old headquarters building, where many building systems were deemed to have exceeded their expected life in spite of regular preventative maintenance and capital life-cycle repairs and replacements.** After extensive study and review of all options in terms of impact on staff, cost, and other factors, it was determined that a whole building renovation, two floors at a time, was the most cost effective, least disruptive approach. A construction budget, including contingencies, of \$431 million was approved in the FY 2012 and FY 2013 medium-term budgets. In FY 2016, the Board approved supplemental funding of \$95 million, along with a contingency of \$37 million to cover unforeseen costs.

**23. The audit assessed whether financial management controls implemented for the HQ1 Renewal Program were in place and functioned well through the course of the program.** The audit also sought to identify lessons learned for future large capital projects. The scope of the audit included all financial transactions through the end of FY 2019. The audit excluded an assessment of the technical aspects and quality of design, construction, and office fit-out work.

**24. The audit found that the financial management controls implemented for the Program were broadly adequate and functioned as designed through the course of the Program.** The audit found some control gaps in financial controls over contract management and invoice approvals, but also noted that the HQ1 Renewal Task Force’s focus on higher risk areas was appropriate in ensuring that project resources were allocated towards efforts to minimize unwarranted large financial exposures to the Fund. While there are no corrective actions required

from the HQT, the audit offers a few lessons that could be usefully applied to other large projects in the Fund. Issuance of the final report is targeted for early Q4 2020.

## **D. Audit of Quality Control Practices for Capacity Development (CD) Outputs (reporting underway)**

**25. Capacity Development (CD) is a core activity of the Fund, representing slightly over 30 percent (or \$306 million) of the Fund’s total spending in FY 2019.** Unlike the Fund’s other core activities, CD is funded by Fund and donor resources, with donors financing over half of the CD spending. The objective of CD is to help member countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. At the same time, the Fund acknowledges that wider dissemination and sharing of CD reports and information is critical for delivering high quality analysis and technical advice to the membership, as well as for promoting peer learning. With wider dissemination, effective quality control of CD outputs is essential in safeguarding the Fund’s reputation.

**26. The objective of this audit was to assess the adequacy of administrative practices, processes, and procedures underpinning quality control of Fund CD mission outputs.** It included CD mission outputs (both written and non-written) for CD delivery from HQ or Regional Capacity Development Centers (RCDCs), as well as on-line and face-to-face training. The audit excluded processes and outputs related to CD prioritization, Resource Allocation Planning, ex-post Evaluation, and Results-Based Management, as these processes have only recently been reformed and they have yet to reach a steady state to permit a thorough examination for the purpose of providing assurance on their effectiveness.

**27. The audit concluded that the existing governance arrangements and related processes are largely adequate to ensure quality of CD outputs, and good practices exist in all CD departments.** A quality control policy calls for all CD activities to be subjected to quality control and makes CD delivery departments responsible for the quality control of all CD services they deliver. Within each CD department, roles and responsibilities for quality control have been assigned. Each CD department has developed and documented its quality control procedures, focusing on traditional outputs, which are broadly followed. In a survey with 260 responses from active Fund CD experts, both short- and long-term, an overwhelming majority rated the overall quality of Fund CD work and the substance of its analysis and recommendations as high, relative to other organizations that they have worked with.

**28. While the current policies and procedures for quality control are adequate for the majority of CD activities, they are mainly designed for the review of traditional written outputs and do not take into full account the growing volume of non-traditional CD outputs.** Similarly, the design of the quality controls for CD outputs focuses heavily on the ex-post review of mission outputs and, as currently designed, are insufficient for handling the growing trend away from traditional CD outputs. CD is increasingly moving away from traditional post-mission reports (focused on “the what”) to more of country-tailored advice on implementation (focused on “the

how”) with hands-on delivery through other innovative approaches rather than long-narrative reports. While no major concerns were observed, the audit found the quality of review of written outputs to be uneven, especially for standalone expert-delivered CDs from RCDCs. The draft findings of the report have been circulated to departments. Issuance of the final report, together with corrective action plans from departments, is targeted for Q4 2020.

## **E. Audit of the Administration of the Fund’s G5 Program (reporting underway)**

**29. The G-5 nonimmigrant visa program by U.S. Department of State (DoS) enables employees of international organizations in the United States to employ foreign workers for in-home domestic work.** Full-time Fund staff with valid G-4 visas are eligible to participate in the Fund’s G-5 domestic worker program (Program) and can employ G-5 domestic workers (tied directly to their G-4 visa status). The DoS imposes conditions and restrictions for the Program and has consistently communicated the high priority it places on the fair and equitable treatment of domestic workers. To ensure this fair and equitable treatment, a contract between the G-5 domestic worker and his/her G-4 employer is required and must contain certain prescribed elements, at a minimum. As of August 2, 2019, the Fund had 141 G-4 staff employing 142 G-5 employees; one employer had two G-5 employees.

**30. In recent years, the DoS has tightened its oversight of the Program, increasing the scrutiny on international organizations such as the Fund.** On August 2, 2019, the DoS requested that the Fund conducts an internal review of all active G-5 employment relationships. The two-fold purpose of the request was to determine: (i) whether domestic worker employment contracts include all required terms found in the Department of State contract template; and (ii) whether these contracts were amended in a timely manner over the past three years to include the correct minimum wage, and whether the workers were paid accordingly.

**31. The objective of OIA’s audit is to assess the effectiveness of the administration of the Program, including the governance, compliance, and administrative mechanisms in place to manage risks.** The scope of the audit covers G-5 program activities over the past three years, and includes: (i) the governance, accountability, and oversight structure - including delineation of roles and responsibilities among the various stakeholders of the program; (ii) policies, procedures, and processes that support the operations of the program; (iii) control and compliance mechanisms, including the processes for identifying, escalating and resolving issues, and mitigating risks related to the program; and (iv) the availability and use of technology/systems to support the administration of the program.

**32. An initial phase of the audit, focusing on the request by the DoS, was completed in December.** That initial phase concluded that: 23 out of 142 contracts were not in compliance with the required terms contained in the DoS template; and 22 out of 142 domestic employees were not always paid the correct prevailing wages over the past three years. In more than half of the contract non-compliant cases, the operating employment contracts had become outdated as they had not

been revised to reflect changes introduced in newer contract templates. In about half of the wage non-compliant cases, the G-4 employers delayed in adjusting the applicable wages following increases in minimum wage in their domicile County or State, citing the lack of knowledge of those changes. In other cases, the G-5 domestic employee did not receive the full wages for hours worked due to computational errors. All domestic workers have since been paid the back wages due. HRD has also introduced new measures to prevent the recurrence of these issues, including a March 2019 requirement for all employers of domestic workers to use of an external payroll services vendor that would also provide guidance on compliance with wage requirements. On December 3, 2019, HRD reported the results of the initial review to the DoS, along with the corrective actions taken to address all the findings. The remainder of the audit, focusing on the broader aspects of the effectiveness of the Fund's administration of the Program, is in progress. A final report, including opportunities for process and control improvements, is expected to be issued in Q4 2020.

## F. Audit of SWIFT-related Payment Processes and Systems (fieldwork underway)

**33. The Fund has been using the SWIFT system since 2002 to send and receive requests for transfers of funds among various organizations worldwide.** SWIFT (Society for Worldwide Interbank Financial Telecommunication) provides a global network for financial institutions and other members to send and receive information about financial transactions in a secure, reliable environment. The SWIFT network does not process any transactions but rather relays formatted messages between its members with instructions regarding financial transactions or other business communications. Over 80 percent of Fund members use SWIFT to manage financial transactions with the Fund (approximately 22,000 messages annually).

**34. This audit aims to assess the governance, risk management and controls over Fund payments made using the SWIFT infrastructure.** The audit will cover related business processes at the point of creation of SWIFT messages and after release of messages, and the associated Information Technology (IT) systems. Fieldwork for the audit is in an advanced stage and a draft report is scheduled for issuance in Q4 2020.

## G. Informal Advisory Work

**35. ICD management requested that OIA conduct a high-level advisory review to provide insights into the gaps between ICD Global Partnership's current and future business needs and the Capacity Development Information Management Systems (CDIMS), focusing on current capabilities.** OIA's advisory inputs have stressed the need for business process harmonization and enhanced technology support for fundraising, budgeting, and reporting processes for externally funded CD. Recognizing the current institutional focus on technology modernization through the big transformational projects, OIA is suggesting sequential steps in the areas of governance improvements, business process redesign, and information technology optimization, as useful preparation to ensure that CDIMS is well placed for optimal technology enhancement and support in the long term.

**36. In response to an ITD management request, OIA is providing high-level insights on IT vendor management control practices across the lifecycle of the vendor’s relationship with the Fund.** OIA’s advice is intended to serve as an input to ITD in its ongoing conversations on strengthening the VMO’s role and activities. OIA’s advisory inputs will cover all areas of the IT vendor management lifecycle, including: sourcing, procurement, contracting, on-boarding, monitoring, relationship management, and off-boarding. Also, as part of supporting ITD with the transition of a key vendor, OIA will be independently reviewing trends in monthly SLA reports, key personnel attrition metrics, and vendor performance meetings for the departing vendor. This will enable OIA to alert ITD about any red flags or the need for any additional actions to mitigate service deterioration risks or excessive personnel turnover during the vendor transition phase.

## ENGAGEMENTS IN PLANNING PHASE

### A. Audit of the Enterprise Risk Management Framework

**37. OIA has commenced planning work on its audit of the Fund’s Enterprise Risk Management (ERM) framework.** The audit is being conducted in the context of undertaking a comprehensive stock-take to assess progress made in advancing the Fund’s risk management capabilities and identifying additional improvement areas to further strengthen the framework.

**38. The objective of OIA’s audit is to assess the effectiveness of the Fund’s risk management framework and processes, particularly in the context of fostering greater integration of risk management activities into strategic and day-to-day decision-making.** The audit will particularly focus on the governance and accountability arrangements for defining and implementing the Fund’s enterprise risk management framework (including the mandate, structure, and staffing of the Office of Risk Management). The audit will also examine the methodology and tools to support effective Fund-wide risk assessment, remediation, and monitoring (e.g., the risk management framework, the adequacy and granularity of the Fund’s risk register, the definition and application of the risk areas and risk lenses, processes supporting ORM’s assessment of the risk areas, risk event reporting framework, risk surveys). The OIA audit will draw on the participation of qualified external experts and practitioners in developing and implementing enterprise risk management programs. A draft report is targeted to be issued in June 2020.

### B. Reviews of 1HR Program Components

**39. Reviews of specific 1HR program components, covering data migration and internal controls, are also in planning stage.** The 1HR data migration review will provide assurance on the reasonableness of the governance, strategy, processes, and controls implemented for the migration of HR data from legacy systems to the 1HR HCM systems (Workday, Azure, and ServiceNow). Planning has also begun on the engagement to provide assurance on the design and implementation of internal controls for HR processes in the context of the 1HR Program.

## PERIODIC MONITORING REPORT

**40. The Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations was issued in December.** The Tenth PMR covers ten MIPs: two arising from recent IEO evaluations, and another eight for which individual management actions were classified as “open” in the Ninth PMR. Of the 62 actions for which implementation progress was assessed, 16 were implemented during the past year and 46 remain open. Of the 46 actions that remain open, 24 face implementation challenges. A companion paper to the PMR (“Categorization Paper”), authored by SPR in consultation with OIA and accountable departments, contains proposals for Executive Board consideration for the 24 actions that have been identified in this PMR as facing implementation challenges. A Board discussion of the Tenth PMR and the companion Categorization Paper is currently scheduled for January 2020.

## OVERDUE AUDIT ISSUES

**41. OIA issued its six-monthly “snapshot” report on overdue audit issues as of October 31, 2019 (see Appendix I).** The report notes that timely mitigation of identified control gaps remains a challenge. There were twenty-eight outstanding audit issues at the time of the report, thirteen are overdue, of which six are rated as “High” impact. Of the fifteen “In-Progress” issues, five are rated as “High” impact. A significantly overdue “High” impact issue on the development of a controls framework to support administration of salaries and benefits is being addressed, in part, through the solution configuration for the 1HR program, which is ongoing. Other “High” impact issues include certain IT areas (Identity and Access Management, Systems Development and Maintenance, infrastructure managed services) and Third-Party Vendor Risk Management.

## OIA INTERNAL ACTIVITIES

### A. Mid-year Risk Refresh

**42. In accordance with OIA’s methodology, a semiannual risk refresh was conducted in November 2019.** The objectives of the refresh were to assess whether significant changes to institutional priorities and/or risks since the annual risk assessment had occurred, and their impact on the previously approved FY20 program of work. The assessment found that the current Program of Work remained aligned with the Fund’s priorities, and therefore did not envisage any significant changes for the remainder of the year.

### B. Program of Work for FY21

**43. During FY 2021, OIA will continue to carefully manage the balance between its core assurance work and increasing demand from client departments for OIA advisory support of**

**key strategic initiatives.** During FY21, the institutional modernization programs will continue to be a significant part of OIA’s planned coverage, particularly in contributing to the “implementation readiness” of these programs ahead of final roll-out. The formulation and execution of OIA’s FY21 Program of Work will be guided by some key drivers. These include: (i) maintaining effective co-sourcing arrangements to leverage external best practices where needed; (ii) enhancing OIA’s capacity and skills to respond to institutional needs and to make more targeted contributions in core areas, (iii) maximizing learning and growth opportunities for OIA staff.

### C. OIA Staff Retreat

**44. OIA staff participated in an office retreat in November 2019.** The one-day retreat, facilitated by an outside firm, aimed at discussing strategic priorities for the function and improvements in OIA’s internal work practices. Based on staff input gathered for improvements in specific areas, action plans are being defined for implementation over the next 12-18 months. The implementation of many of these actions should provide additional opportunities for efficiency gains. Drawing from the discussion at the staff retreat, OIA also intends to codify its overarching strategic goals as part of a medium-term strategy document for the function.

## ADMINISTRATIVE MATTERS

**45. OIA expects to end FY 2020 at or above 98 percent of its overall budget allocation of \$5.2 million.** During the past year, there has been a deliberate focus to optimize the use of OIA’s resource envelope by focusing on productivity improvements. The productivity gains achieved are in large part due to the adoption of a revamped delivery model - one that provides senior audit staff greater opportunities to demonstrate their technical and leadership competencies. OIA is also looking to complete the staffing of its vacant positions so that the function can be fully staffed by early FY 2021.



# REPORT ON OVERDUE AUDIT ISSUES

AS OF OCTOBER 31, 2019

## Key Messages

*This report presents an overview of outstanding and overdue audit issues. Since the issuance of the last report, OIA has raised five new issues and closed two issues, bringing the number of outstanding issues to twenty-eight as of end-October, 2019. Of these twenty-eight outstanding audit issues, thirteen are overdue, of which six are rated as "High" impact. Of the fifteen "In-Progress" issues, five are rated as "High" impact.*

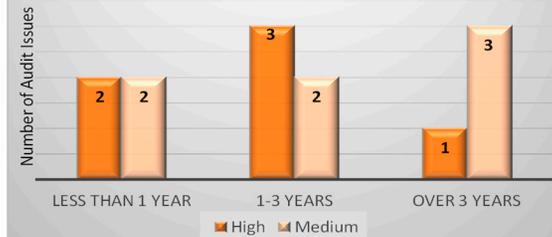
*The status of the overdue issues rated as "High" impact is as follows.*

- The "High" impact issue on the **development of a control framework** (originally due on April 30, 2015) to support **the administration of salaries and benefits** is being addressed, in part, through the solution configuration for the 1HR program, which is ongoing. Planned work on an integrated framework continues, subject to dependencies such as the 1HR program. HRD has recently submitted for management's endorsement, an integrated control framework, together with proposed implementation actions of its components and the prioritization of those actions. Completion of the 1HR Program in 2020 will significantly advance the remediation of this issue. As part of its FY20 program of work, OIA is beginning an assessment of the design and implementation of the control framework, including process-level controls to be delivered as part of the 1HR process configuration.
- Projects are underway to address issues noted in key areas of the Fund's **Identity And Access Management (IAM)**. This includes: (i) implementing systematic IAM governance processes to review and address issues with current IAM processes and business rules (originally due on April 30, 2018); (ii) improving Privileged Access Management (PAM) controls – including the implementation of a new PAM tool (originally due on April 30, 2019); and (iii) the implementation of a new IAM solution to replace the current "home-grown" provisioning tool. Given the interdependencies with the Fund's business and digital modernization programs, the ongoing reorganization within ITD and HRD, and the plans to hire additional vendors within ITD, collective involvement/decision-making of business and ITD will be key to addressing the IAM business rules and process issues in a comprehensive and timely manner.
- An Information Systems Management Policy, which will govern **systems development and maintenance** (including for business-led initiatives), has been formulated and approved by Management (originally due on January 31, 2018), and is intended to be issued to Departments. The Integrated Project Lifecycle (IPLC) framework, which presents the minimum expected standards for systems development and maintenance, has also been updated to reflect current practices. An ITD-led working group is now planning on strengthening the IPLC framework further in the context of ITD's new operating model (originally due on November 30, 2017).

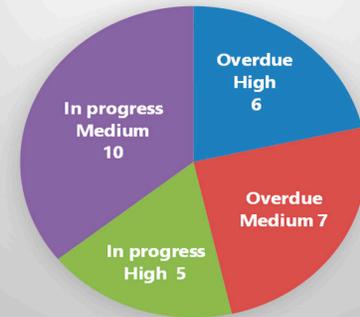
**The "In-Progress" "High" impact issues are summarized below.**

- Four "High" impact issues have been raised in the recently completed audit of **IT infrastructure managed services** covering (i) change management, (ii) governance arrangements, (iii) service level agreements, and (iv) information security risk management.
- The "High" impact issue to develop an overarching framework to monitor and oversee **third party vendor risks** is under implementation.

**Figure 1. Overdue Audit Issues (past due date)**



**Figure 2. Outstanding Audit Issues**



**International Standards for the Professional Practice of Internal Auditing**

2500 – Monitoring Progress: The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The chief audit executive must ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

*"...protecting and strengthening the Fund..."*