WORLD BANK GROUP
Group Internal Audit | Assurance • Advice • Insight

Group Internal Audit
FY20 Annual Report

The World Bank Group comprises five institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). In the context of this report, "World Bank Group institutions" refers to IBRD, IDA, IFC, MIGA, and ICSID. "The Bank" refers to IBRD and IDA.

The World Bank Group has two goals: To end extreme poverty and promote shared prosperity in a sustainable way.

CONTENTS

FOREWORD BY THE
AUDITOR GENERAL

When I wrote the Foreword to last year's Annual Report – one year after having joined the World Bank Group – I described a changing environment as the institution moved forward with its ambitious development program. But while I expected FY20 to be a year of change, I did not envisage the profound transformation that would take place across the world due to the COVID-19 pandemic. This has resulted in unprecedented challenges and risks to the Group Internal Audit (GIA) and our clients – and the need for GIA to respond and adapt quickly to meet new and urgent needs and support the Bank Group's critical mission.

GIA started FY20 with a clear mandate and vision, a robust work program, and well-defined goals focused on improving our delivery model. Despite the recent challenges of working from home during the pandemic, GIA staff delivered a comprehensive work program of high-impact and high-priority engagements covering corporate processes, information technology, finance, strategy, and development operations. GIA's work across these engagements helped improve processes and procedures as well as strategic thinking regarding key institutional priorities, and ultimately GIA's impact with our clients. I am proud that GIA achieved the following – and more – during FY20:

- We restructured our unit to strengthen our expertise, focus, and efficiency. We onboarded new managers, formed new engagement delivery teams, and established a new group focusing on bringing innovative, technical, and creative ways of working to GIA.

- We continued to build deeper partnerships and coordination with Senior Management, including the risk management and governance functions, as well as the Audit Committee and Board of Directors, strengthening our ability to understand and advise on key risks.

- We increased our outreach, dialogue, and engagement with all stakeholders to further clarify GIA's mandate, role, and value to the institution.

- These stronger relationships and collaboration also resulted in a stronger risk assessment process, helping GIA develop a more holistic view of risk management, controls, and governance across the Bank Group.

- We adopted more agile internal processes and offered deeper analysis to our clients by increasing usage of new technologies and tools, which also allowed us to keep our productivity high during the working from home period.

While these achievements are significant and have taken GIA to a higher level of service and professionalism, we must now adapt to a new, uncertain, and rapidly shifting risk landscape. The needs and priorities of the Bank Group's clients have increased and changed, and the organization is responding with tremendous urgency. Given this, risks are evolving and sometimes heightened, and the timely assurance, advice, and insight that GIA provides is even more critical.

Our core mandate, however, remains the same – to provide an independent view on whether processes for managing risks, and overall governance of these processes, are adequately designed and functioning effectively. GIA plays a key role in supporting the World Bank Group to be as effective as possible and in maintaining strong controls and governance. Going forward, I see this role as providing increased value to the institution.

In this new environment, what do I intend to focus on for GIA in the coming fiscal year?

- Further revise *GIA's audit methodology and internal processes,* to find new efficiencies and tools so that we can be more nimble and responsive, and add more value to our engagements.

- *Continue to deepen collaboration* across the Bank Group to ultimately provide senior management and the Board a holistic and comprehensive picture of key risks across the Bank Group, who owns them, and how robustly they are managed.

- Identify ways for GIA to be *involved and integrated earlier* in discussions about strategy and priorities, so that our advice is forward-looking, timely, and helps inform management's decision making.

- *Expand our service delivery products* to provide more real-time insight, advice, and foresight.

- *Equip our staff* with new skills and training, to increase their business knowledge and keep up with the latest industry standards and developments.

This Annual Report gives an overview of GIA's FY20 work program, with highlights of the key themes and risk areas we have identified through our engagements and dialogue with colleagues, management, and the Board. The report offers high-level advice and recommendations going forward to address the trends we have observed throughout this period.

In what has been an extraordinary and challenging year, I extend my deep appreciation to the World Bank Group's President and to the Audit Committee for their support, guidance, and trust. I thank also management and colleagues across the organization for their collaboration and assistance throughout the year. And of course, I am grateful to the staff of GIA for their commitment to delivering on our program, despite difficult circumstances. I look forward to continuing our work together, to taking GIA to the next level of professionalism, and further supporting the goals of the World Bank Group.

Anke D'Angelo

WORK PROGRAM OVERVIEW

OUR PRODUCTS

GIA provides two services (assurance and advisory) and delivers three engagement products (audits, assurance reviews, and advisory reviews). The selection of product for each engagement is primarily determined by the maturity of the process to be reviewed and the needs of the client.

ASSURANCE

Audits and assurance reviews provide the Audit Committee and management with independent assurance on the risk management, control, and governance processes of the organization:

- **Audit:** Provides an overall report rating and individual ratings on all issues, and is for mature processes. Issues identified require management action plans that are monitored by GIA up to implementation, and their progress is reported to the Audit Committee.

- **Assurance Review:** Provides assurance on early implementation of new processes, and input for course correction before processes are fully established. While no overall report rating is provided, issues identified are rated and require management action plans that are monitored by GIA and reported to the Audit Committee.
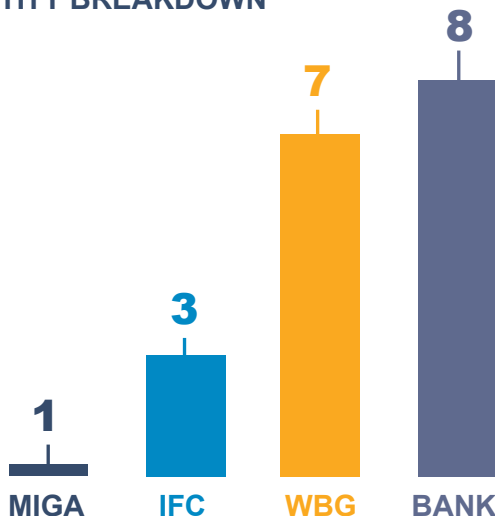
ADVISORY

Typically for processes in design or early implementation, GIA provides management with nonbinding advice relating to risk management, control, and governance processes. Advisory reviews provide management with recommendations (rather than issues), and only a summary is reported to the Audit Committee.
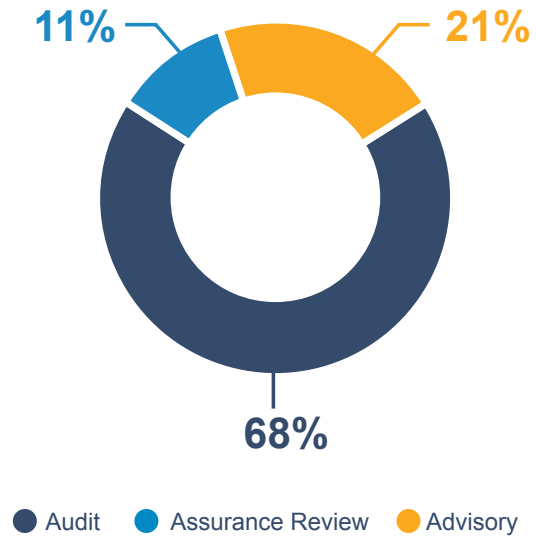
OUR WORK PROGRAM

GIA's FY20 work program delivered 19 assurance and advisory engagements, which focused on the most significant risks for the Bank Group institutions. The work program covered core development operations, corporate and administrative areas, and information technology (IT). The list of engagements, plus a summary of key findings, is provided in the appendix "FY20 Engagements."

Given the maturity of business processes across the institution, the GIA FY20 work program provided an adequate mix of audits (68%), assurance reviews (11%), and advisory reviews (21%) that balance GIA's primary role as a provider of assurance with the delivery of additional consulting services. A breakdown of these engagements by entity, product, and risk category is presented in the following charts.

ENGAGEMENT PRODUCTS

11%   21%

68%

● Audit   ● Assurance Review   ● Advisory

ENTITY BREAKDOWN

1 — MIGA
3 — IFC
7 — WBG
8 — BANK

RISK CATEGORIES

11%

5%   21%

63%

● Operational Risk   ● Strategic Risk
● Financial Risk   ● Development Outcome Risk/ Business Risk

FY20 KEY THEMES

This section provides forward-looking recommendations to Senior Management for future strategy implementation and organizational initiatives that support achievement of the WBG's goals. The recommendations are built on key observations and trends in the Bank Group's overall risk management, control, and governance environment. These observations are primarily based on GIA's work in FY20 through assurance and advisory engagements of business processes and initiatives, monitoring of risks to the WBG, and ongoing dialogue with management and the Board of Directors. The information presented in the Key Themes is neither comprehensive nor exhaustive in content, but rather selective.

Change Management and Implementation of WBG-wide Strategic Initiatives

> **The successful implementation of WBG-wide strategic initiatives requires continued senior management attention on change management**

WBG-wide strategic initiatives are designed to strengthen the quality and effectiveness of the Bank Group's business and enhance its development impact. WBG effectiveness involves leveraging the unique and competitive advantage of each WBG institution.

During FY20, GIA performed three engagements, focusing on the implementation of key strategic initiatives: (i) Implementation of the WBG Gender Strategy; (ii) Implementation of Cascade Decision-Making Approach as part of Maximizing Finance for Development; and

(iii) Implementing the Bank's Environmental and Social Framework (ESF) Internal Capacity.

In all these engagements, progress in implementation was confirmed with management's continued commitment. The WBG Gender Strategy has been integrated into the Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs). Gender has also been cascaded down to operational front-line units with the development of specific action plans and the establishment of focal points, community of practice, training, and a knowledge repository. Collaboration between the Bank and IFC has been strong, particularly for resource mobilization, joint research, and reporting to the Board.

Regarding Cascade Decision-Making, key steps have been taken and a renewed focus established by senior management to support the implementation of the Cascade approach.

These include the issuance of guidance, development of case studies and training materials, inter-institutional efforts to promote collaboration, and recent establishment of three Group-level working groups to fully integrate the Cascade approach into WBG Operations.

For the ESF, management has completed the deliverables established as part of the Readiness Indicators, including the development and issuance of the ESF Guidance Notes, the Bank ESF Directive, and Good Practice Notes; as well as templates for Borrowers, Bank staff, and the supporting information system.

As these initiatives shift from a design to implementation phase, management should continue its change management efforts. The implementation of strategic initiatives entails a fundamental shift in staff behavior and how the WBG conducts its operations, which requires time and constant nurturing. The following four points are key lessons learned from the initiatives:

First, senior management focus is essential for effective implementation of strategic initiatives across the WBG. Given the many demands on management, it is important to sustain the focus on new initiatives during their implementation phase by giving those initiatives the necessary senior management prominence. In addition, stable leadership throughout the change process helps deliver consistent messages on the initiatives.

Second, monitoring and oversight can be strengthened by maintaining detailed plans with time-bound and agreed-upon implementation milestones, along with measurable metrics, during the implementation phase.

Third, both the required human resources (staff with the necessary skills and competencies) and the underlying budget need to be assessed and monitored across the various units that are involved in the implementation of the strategy.

Finally, careful consideration needs to be given to incentive mechanisms. While incentives to staff are key for change management, setting effective incentives is not easy. To enhance the overall effectiveness of incentive mechanisms, before launching a new set of incentives it is important to conduct a comprehensive analysis of the existing incentive structure to incorporate lessons learned. Such actions will help to give staff a positive perspective of the initiative and strengthen the likelihood of success.

Recognizing the specific roles of staff who facilitate the implementation of change is also crucial and may require definition of a competency framework to strengthen motivation.

In addition, given the current COVID-19 crisis and the need to "reinvent work," now is a good time for management to take stock and prioritize the various commitments that have been made. This evaluation should include an assessment of the resources, change management capacity, and skills needed to effectively implement initiatives as originally intended.

Supervision of Development Projects

Timely capture of risk information in institutional information systems facilitates monitoring development projects in an increasingly dynamic environment

WBG institutions provide financing and services to low- and middle-income countries and the private sector to support development. Development projects follow the processes and controls laid out in the project cycle, which is the framework used to design, prepare, implement, and supervise projects.

The Bank, IFC, and MIGA have monitoring controls in place to manage risks identified during the project preparation and implementation phases. These risks include, among others, fiduciary, environmental and social, and integrity risks, including fraud and corruption. Continuous monitoring of risks in projects by the WBG institutions helps their clients solve issues early on and identify new risks and opportunities. Monitoring of risks is particularly critical for projects in high-risk environments (such as countries experiencing fragility, conflict, and violence) and emergency situations, such as the current COVID-19 pandemic.

During FY20, GIA performed three engagements that assessed controls in project supervision: (i) the Bank's Management of Procurement Risk in Investment Project Financing (IPF) Projects; (ii) MIGA's Environmental and Social (E&S)

Risk Management; and (iii) IFC's Integrity Due Diligence (IDD) Process in Operations.

These engagements identified that, compared with extensive analysis and discussion of risks involved in projects during preparation, risk information was not consistently updated in designated information systems during the project implementation phase. In addition, the status of the implementation of risk mitigation measures by clients – which were agreed with the WBG institutions – was not always registered in the information system, although staff supervising the projects generally knew about the conditions of the projects, and risk information is included in other documents. Incomplete or outdated information on risks in the institutional systems and mitigation measures limits management's ability to analyze projects at the portfolio level efficiently and prioritize attention, resources, and action.

Following these engagements, management is implementing actions by fully integrating requirements for registering risk and mitigation information in the appropriate institutional fiduciary, E&S, and IDD systems. In addition, Bank management is implementing various enhancements in use of the Systematic Operations Risk-Rating Tool (SORT) during the project supervision phase. IFC has also initiated design improvements to its systems such as iPortal to strengthen controls to monitor integrity risks during the supervision phase of the project cycle.

The WBG's operational response to COVID-19 has been unprecedented, both in scale and speed. Vigilance in project preparation and supervision of implementation is required, and management needs all available tools to identify and address new and emerging risks. The WBG's existing risk management information systems play a critical role in assisting management with this task by focusing attention on changes in the risk profile of operations, both at the project and portfolio level. Looking ahead, the systematic use of these systems will be more important than ever.

Monitoring Controls

Systematic and ongoing monitoring of controls improves the effectiveness of risk management activities

Monitoring of controls required by internal procedures is essential for effective risk management.

In FY20, the importance of control monitoring was highlighted in two engagements: (i) the WBG's Management of Safety and Security of Staff in Non-Headquarter Offices; and (ii) the Bank's Integrity Due Diligence (IDD) process.

On staff safety and security, overall security risk management has improved in the last three years, with systematic evaluation of threats, identification of vulnerabilities, better allocation of resources, centralized procurement of guards and equipment, and an internal quality review of the security management program. However, staff adherence to the security directive, training requirements, and other internal procedures was not consistent due to an unclear accountability for monitoring and enforcement of controls. Unclear accountability limits management's ability to detect areas where process activities deviate from what is intended or required, posing potential risks to the organization. In response,

management plans to update the Framework of Accountability to further clarify roles and responsibilities, with an emphasis on compliance and enforcement obligations and decision levels.

On the Bank's IDD of third parties, management has recently taken steps to strengthen IDD practices by establishing an IDD Working Group and has started to formalize IDD processes. To move these actions to the next level of maturity, management needs to designate a corporate function that will set minimum standards, harmonize practices, and monitor control activities across business units. In response, management plans to establish clear accountability for IDD from both a business unit and a corporate oversight perspective, based on its own assessment of the IDD risks in various functions.

These, and other engagements in the past, point to a common challenge in the monitoring and enforcement of controls – some functions that set rules and requirements act only in an advisory capacity and do not have an enforcement mandate, which limits their ability to influence behaviors and correct actions, where needed. Strengthening the mandate of these functions to enforce, rather than only advise, is key to improving risk management.

As part of the Global Footprint strategy, the WBG's business model is becoming increasingly decentralized – moving staff from Headquarters in Washington, DC to be closer to clients in country. As a result, establishing a clear accountability framework for monitoring controls is critical for consistent management of risks in line with institutional standards.

Cybersecurity

The WBG's focus on cybersecurity needs to be maintained, and even strengthened given the increased risk due to COVID-19

Cyber risk is a constant threat to the WBG and its staff. Like other global organizations, the COVID-19 pandemic has increased the Bank Group's potential cyber risk exposure, given a remote work environment with accelerated digitalization and rapid expansion of technology solutions. It is likely that the future work environment for the WBG will be a hybrid of office-based and remote work. With that 'new normal' in mind, the institution and staff must remain cyber vigilant and constantly adapt to new threats and protections.

Given the inherent high risk, GIA audits different aspects of cyber and information security controls in each annual work program and has noted significant improvements in the WBG cyber security risk management practices in recent years. In FY20, GIA completed several IT audits in areas including Operating Systems Security, Mobile Technology, and IT Risk Management, and assessed the effectiveness of many information security controls and cyber hygiene practices that help improve the overall cybersecurity position of the WBG. Through these audits, GIA also highlighted a few areas that require attention to further improve the control environment. For example, the audit of Mobile Technology and Security Management concluded that the controls are designed and operating effectively, and the mobile device management solution is generally configured to follow the Center for Internet Security (CIS)
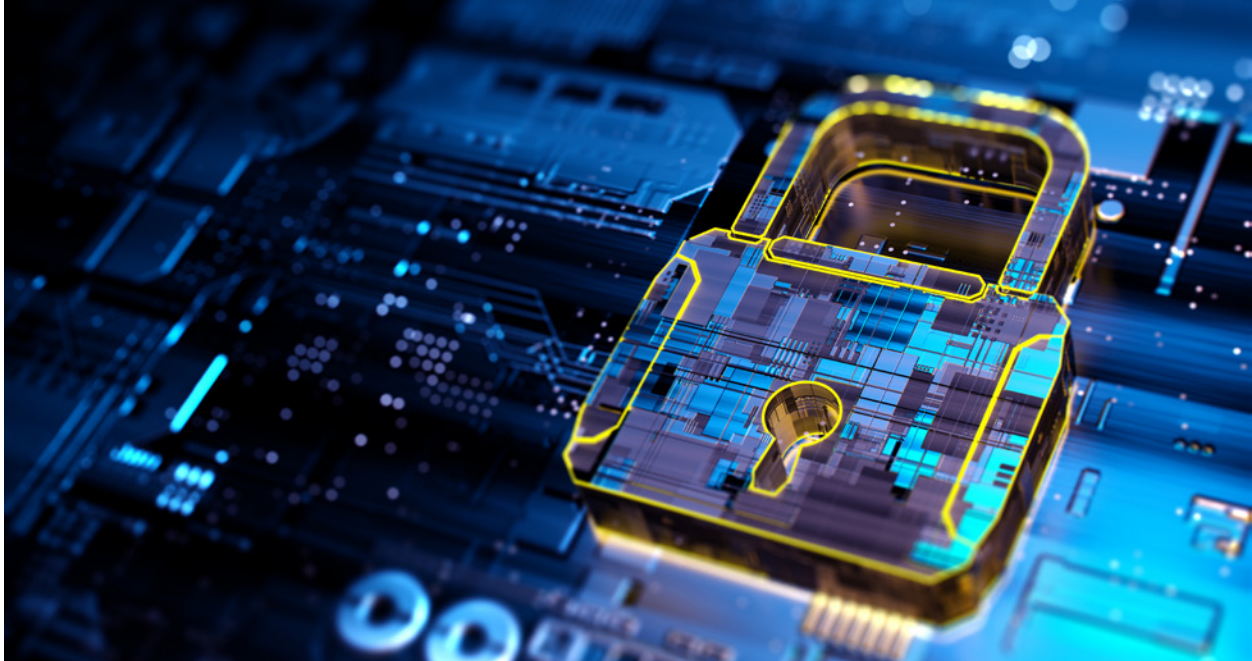
benchmarks for securing mobile devices. However, areas related to the management of third-party mobile application vulnerabilities and risk management needed management's attention. GIA also recommended that the phishing exercises conducted to gauge and influence the effectiveness of the cybersecurity awareness campaign could benefit from expanding the scope from personal computer and email-targeted exercises to also include specific tests for mobile devices.

Going forward, and specifically to navigate successfully through the COVID-19 crisis, in an extended remote working arrangement it is essential that the WBG remains attentive to risks related to connectivity and bandwidth, use of unauthorized collaboration tools, access to business applications, and data loss and document security. In that regard, management has established regular cybersecurity communications and education on various security topics to continue to inform and equip WBG users with the knowledge to

defend against common cyber threats. The annual mandatory cybersecurity training and phishing exercises are key components of the WBG Information Security Awareness program, which increases staff awareness of the newest schemes to watch out for and provides advice on protecting both staff and the institution. Such guidance, together with senior management's repeated message on the importance of cyber risk management, has positioned the WBG to better cope with cyber threats. GIA will continue to review key cyber-related controls to provide continued assurance and to further improve risk management in this area.

Externally, the WBG could be affected by increased third-party cyber risks. While the use of cloud services and third-party solutions has helped with the smooth transition to home-based work, it is essential to validate the technology vendor's control framework. If the WBG's vendors are also moving their workforce to a remote environment, their

control environment must conform to the highest standards if the WBG is to rely on their services going forward. Establishment of the WBG IT vendor risk management program, under the IT risk management function, is a positive step and will be assessed as part of future GIA engagements in the vendor risk management area.

Governance and Project Management for the Implementation of Business Solutions

Non-conventional funding of business solutions requires attention to governance and project management in system implementation

Adopting new business solutions with information technology to enhance capability is crucial for business units to continue meeting changing demands. Implementation of business solutions has been an important area in GIA's risk coverage. GIA's assessments over recent years show that the WBG has a long-standing, well-defined governance process for system implementation projects funded through capital budget resources. A review in FY20 of the Investment Administration Project (IAP) brought useful learning on the implementation of a business solution that was not funded through the regular capital investment process.

In this case, the business solution project to replace an existing system was based on the software-as-a-service approach. As the

solution did not involve a capital investment process, the implementation was managed outside the well-established IT governance approach. This resulted in implementation challenges including technical understanding of the solution by the business unit, coordination among involved units, resource allocations, and overall project management.

While non-capital business solutions projects may be infrequent, it is still important to establish a robust governance and minimum project management standard applicable to all significant system implementation projects, regardless of the source of funding. As an important step, management recently issued a new WBG Directive requiring all institutions to involve the IT function before procuring IT solutions, irrespective of the funding source. Management also plans to define associated governance procedures, including those related to budget and corporate procurement for business solutions.

GIA's IAP engagement highlights an important development: given the pace of technological change, business units now have many IT solutions available to them outside the capital budget process, and decisions on whether to adopt non-capital IT solutions are becoming more diversified. This increases the risk that the IT function may not have a complete picture of the WBG's IT landscape and the business units might not get the solution they envision. Going forward, business units should involve the IT function early in the development of IT solutions and lean on their technical expertise throughout project preparation, development, and implementation, regardless of the source of funding.

WHO WE ARE

OUR MANDATE

GIA is an independent and objective assurance and advisory function that adds value to and improves the operations of the World Bank Group. GIA's work assesses whether the risk management, control, and governance processes of the Bank Group entities are adequately designed by management and functioning effectively.

Specifically, GIA applies a systematic and disciplined approach to its assessments to provide reasonable assurance that:

- Risks are appropriately identified and managed
- Governance issues impacting the Bank Group are recognized and addressed appropriately
- Significant financial, managerial, and operating information is accurate, reliable, and timely
- Institutional policies and procedures are complied with
- Resources are acquired economically and used efficiently
- Quality and continuous improvement are fostered
- Institutional assets (physical and intellectual), records, and data are safeguarded

OUR REPORTING LINES

The Auditor General reports to the President of the World Bank Group, and is under the oversight of the Audit Committee.

BOARD OF GOVERNORS

EXECUTIVE DIRECTORS

WBG PRESIDENT

AUDIT COMMITTEE

VICE PRESIDENT & AUDITOR GENERAL
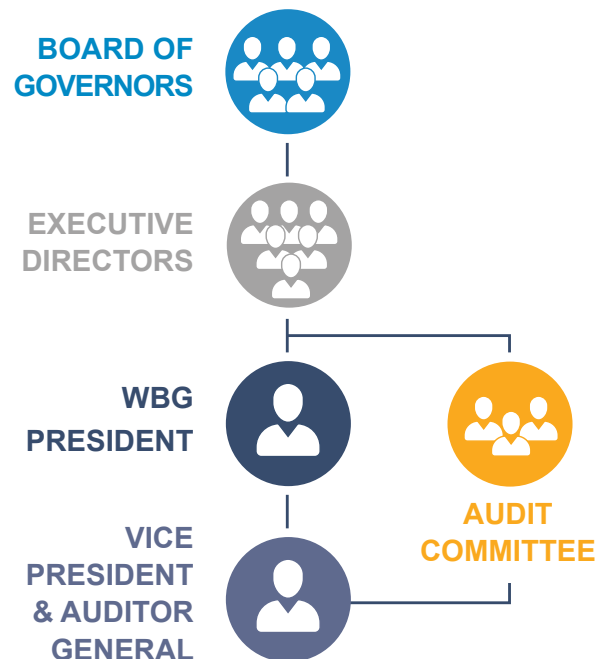
OUR VISION AND MISSION

Our vision is to be the agent of positive change to help the World Bank Group achieve its goals.

Our mission is to protect and enhance the value of the World Bank Group by providing independent, objective, and insightful risk-based assurance and advice.
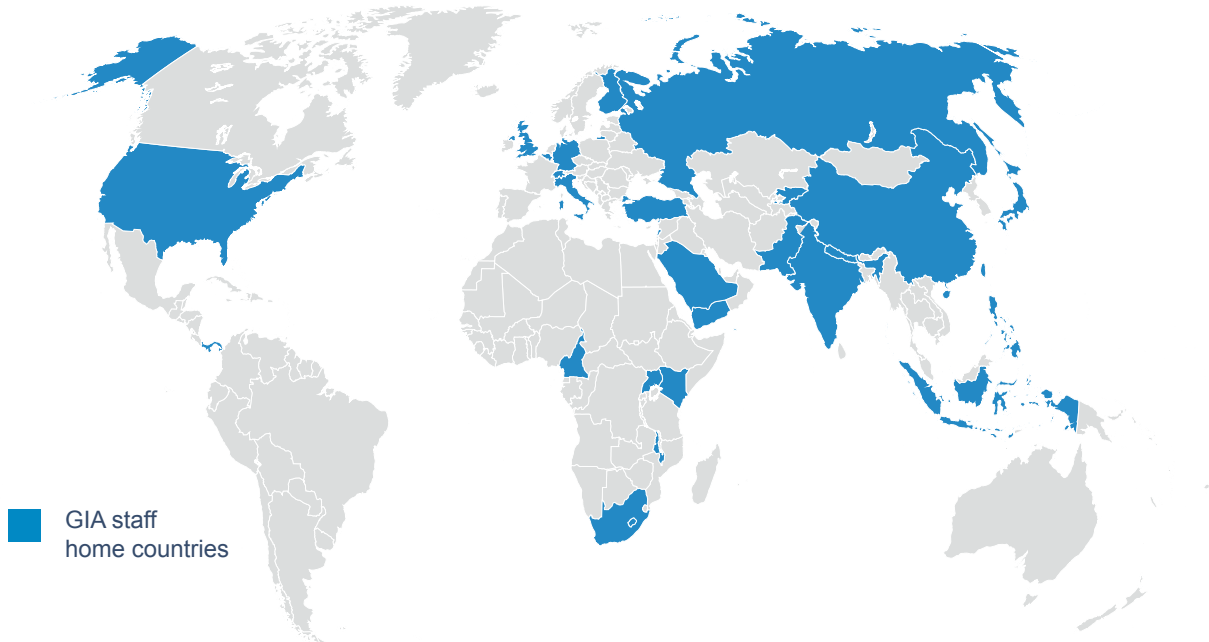
OUR TEAM

We are a small and diverse team:

35 STAFF

27 DIFFERENT COUNTRIES

SPEAKING A TOTAL OF **35** LANGUAGES

WITH **66%** SPEAKING 3 OR MORE

51% FEMALE

49% MALE

GIA staff home countries

Qualifications

GIA staff are highly skilled, combining internal audit experience, knowledge of the Bank Group, and experience from external organizations to deliver value to clients and stakeholders. As essential partners to our clients, GIA staff bring technical expertise in critical processes, a passion for learning, and a commitment to the Bank Group's mission.

GIA staff have a range of professional qualifications to enable GIA to fulfill its role, including Certified Internal Auditor (64% of staff); Certified Public Accountant, Chartered Accountant, or similar (61%); Certified Information Systems Auditor (21%); and Certified Fraud Examiner (21%).

A significant portion of GIA staff (63%) have worked in other parts of the Bank Group, and almost all staff worked in the private sector before joining the organization.

To complement the strength of the GIA team, we also engage subject matter experts from our co-sourcing partners that currently come from the Big Four consulting firms, as and when needed.

HOW WE DELIVER

GIA's work is focused on the most significant risks facing the Bank Group, with continuous reviews to align with the Group's strategic priorities. Our engagements are carried out in accordance with the International Professional Practices Framework of the Institute of Internal Auditors (IIA).

Stakeholder Engagement

Delivering Results to Influence Positive Change

5

1

2

Dynamic Risk Assessment and Work Program Development

Learning, Innovation, and Knowledge Sharing

4

3

Coordination and Collaboration with Risk and Other Oversight Functions
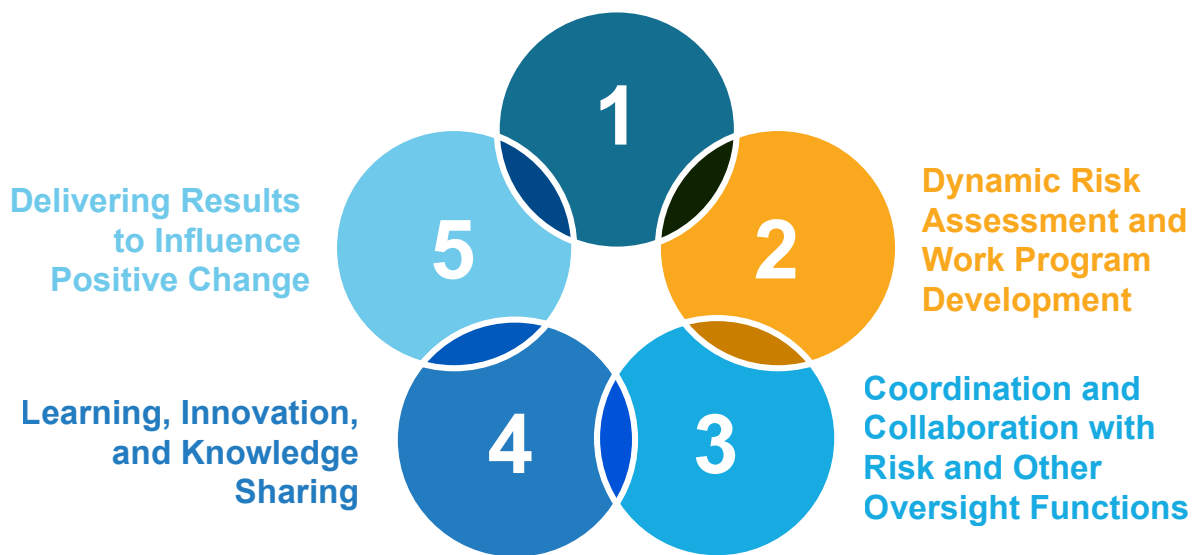
STAKEHOLDER ENGAGEMENT

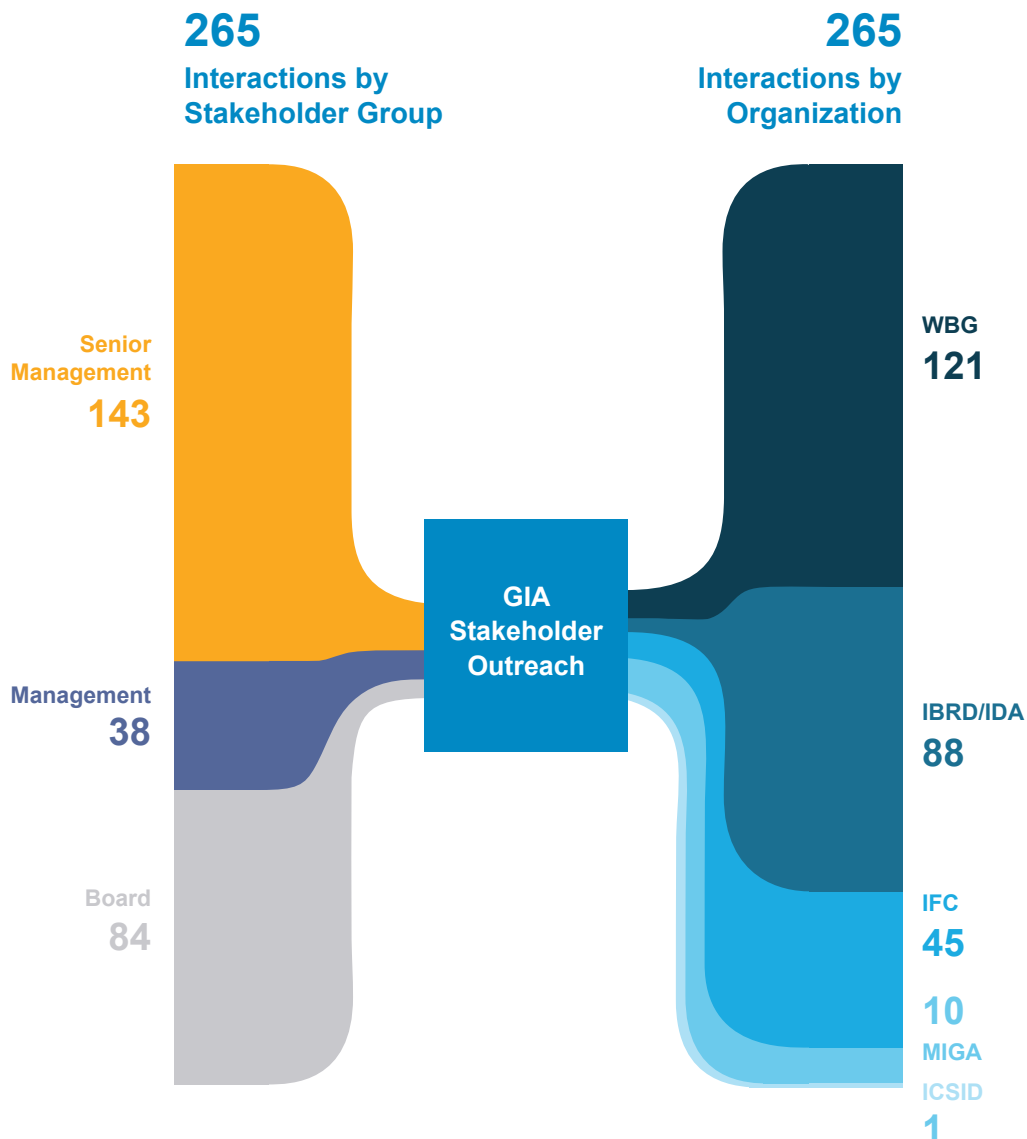GIA places a high priority on ensuring that its stakeholders across the World Bank Group institutions are familiar with GIA's mandate and have confidence in GIA's value proposition. Robust relations with the Audit Committee and management are essential for GIA's effectiveness as this helps GIA deepen its understanding of institutional strategies and knowledge of the business, and enables GIA to promptly identify and respond to stakeholder concerns and emerging risks. To further strengthen relations, GIA's engagement with stakeholders went beyond the collaboration necessary to complete engagements. Depicted below is a snapshot of the additional interaction GIA had with stakeholders in FY20.

265
Interactions by Stakeholder Group

265
Interactions by Organization

Senior Management
143

Management
38

Board
84

GIA Stakeholder Outreach

WBG
121

IBRD/IDA
88

IFC
45

10
MIGA

ICSID
1

DYNAMIC RISK ASSESSMENT AND WORK PROGRAM DEVELOPMENT

GIA adds the most value by focusing on the key risks to the institution, which requires constant learning about and assessing changes in the external and internal environment in which the organization operates. GIA's work program is developed based on a dynamic risk assessment process throughout the year, which also considers the institution's strategic priorities and emerging risks.

The COVID-19 pandemic disrupted 'normal operations' for the Bank Group. That disruption accelerated change across the Bank Group's business landscape. Risk assessment must keep pace with the speed of business to remain relevant. GIA has begun adapting. We are pairing the rigor and scope of our current work program development process with an agile-based monthly risk intelligence program. GIA is transforming how it applies knowledge and technology to synthesize the information into the most critical issues that require the Board and management's attention.

Drive Value with an Enabling Environment

GIA Focuses on What Matters Most

• **Institutional Risks**

• **High-Risk Themes**

• **Assurance, Insight that is Timely and Actionable**

GIA Adjusts for the Speed of Business

Monthly Intelligence Program – identify changes in residual risk at an auditable entity level, potential indicators for emerging risk, and business landscape trends

Process Rigor + Agile Adaption – of knowledge and technology to *accelerate risk assessment*

Structured Stakeholder Engagement – a 'seat at the table' builds relationships and communicates insight that GIA returns as value-added *recommendations*

Quarterly GIA Risk Debrief – to facilitate a rolling 12- and 36-month Work Program review

DELIVERING RESULTS TO INFLUENCE POSITIVE CHANGE

Management takes action to address weaknesses in governance, risk management, and controls that were raised through GIA's assurance and advisory engagements. The following are examples of the significant actions management completed in FY20 to strengthen the Bank Group's risk and control framework.

	Business Area	Engagement	Impact
1	Legal Risk Management	Bank's Management of Legal Risks Related to Country Office Administration (FY18)	Management completed its action plan for establishing a systematic process to manage legal risks relating to country office administration. This process includes: identification, assessment, and monitoring of legal risk using key risk indicators supported by legal record management, as well as knowledge sharing and awareness training.
2	Data Governance	World Bank's Management of Corporate Data Used in Operations (FY19)	Bank management established the new World Bank Data Governance Body at the senior management level and the Steering Committee with an aim to improve data governance through strategy, policy and culture, and oversight. GIA's advisory review in FY19 that diagnosed the existing conditions provided insights and triggered a corporate-wide discussion on the need for a better governance model for data.
3	Operational Risk Management	IFC's Management of Operational Risks (FY19)	IFC management updated the Operational Risk Management (ORM) framework, which includes delineation of roles and responsibilities using the three lines of defense model; operational risk appetite statements; risk and control self-assessments (RCSAs); specific board reporting requirements; and a clear definition of training requirements.
4	Information Security	WBG's Privileged Identity and Access Management (FY19)	Management has developed a Privileged Identity and Access Management (PIAM) strategy and implementation roadmap. The PIAM strategy and implementation roadmap is intended to improve the WBG's overall PIAM security posture and to further leverage automation in securing and controlling privileged identities.
5	Corporate Insurance	WBG's Use of Corporate Insurance in Risk Management (FY20)	Management swiftly moved the corporate insurance function under the Chief Risk Office to integrate it into operational risk management. Oversight for corporate insurance was strengthened with the assignment of the accountability for the function to a Managing Director.

APPENDIX: FY20 ENGAGEMENTS

Entity	No.	FY20 Engagements	Product Type
WBG	**Strategy**		
	1.	**Implementation of the WBG Gender Strategy**	**Advisory Review**
		The objective of this engagement was to assess the implementation of the World Bank Group Gender Strategy (FY16–23) and provide recommendations to address gaps and weaknesses in the implementation of the Gender Strategy. The engagement reviewed the internal business model and accountability structures, and whether processes for the implementation of the Gender Strategy across the Bank and IFC have been adequately designed.	
		Good progress has been made in the first half of the implementation of the WBG Gender Strategy. However, management needs to focus on the following recommendations for effective and consistent implementation, especially considering the institutional realignment within the Bank and COVID-19's effects on gender equality in both the public and private sectors: (i) use existing governance mechanisms to strengthen leadership and provide oversight and support during the implementation phase of the WBG Gender Strategy; (ii) revisit metrics to measure progress against commitments and support timely course correction; (iii) assess resource needs for gender work at the institutional level to support efficient and effective implementation of the WBG Gender Strategy; and (iv) establish a gender competency framework to recognize and provide a career path for gender experts.	
	Corporate Processes		
	2.	**World Bank Group's Use of Corporate Insurance in Risk Management**	**Advisory Review**
		The objective was to review the existing governance, risk management, and control activities of the WBG corporate insurance program; identify opportunities for improvement; and provide recommendations, focusing on the following corporate insurance areas: (i) institutional governance framework over corporate insurance decisions including definition and clarity of roles and responsibilities; (ii) process for procuring the insurance broker and renewing of insurance coverages; (iii) process and framework for identifying and monitoring emerging insurable risk; (iv) case management process for determining, monitoring, and reporting on loss events and related claims; (v) process for monitoring insurance activities including analysis of coverage limits and deductibles and re-evaluating their reasonableness; and (vi) process for communicating insurance needs and insurance program changes to management.	
		GIA's recommendations covered three themes: (i) Governance Framework: a senior management-level decision maker for corporate insurance should be designated,	

WBG

and the scope of the corporate insurance function should be redefined to make it an institutional corporate insurance risk management function; (ii) Risk Management Process: all the insurable risks in the WBG should be identified and aligned with the respective WBG entity's risk tolerance, and the use of insurance as a risk response for all forms of insurable risks should be further integrated into existing risk management frameworks; and (iii) Corporate Insurance Process: the corporate insurance program (including coverages, policy limits, deductibles, and premiums) should be re-assessed and validated at least annually, and the frequency of the insurance broker selection cycle should be increased to keep the insurance program, pricing, policy limits, and coverage terms market-current and competitive.

3.	WBG's Global Payments Process	Audit

The objective of the audit was to assess the governance, design adequacy, and operating effectiveness of the Global Payments process. Specifically, the audit reviewed whether: (i) adequate governance arrangements are in place to manage the Global Payments Program (GPP) (including the roll-out of the second phase of the program) and risk management processes exist to identify, assess, and respond to emerging risks; (ii) management has designed and implemented adequate business processes, IT systems, and related controls to support the GPP, including the identification and management of fraud risks; and (iii) post-implementation reviews are performed to assess whether the GPP achieved its intended objectives, and issues identified from such reviews are addressed.

The audit concluded that management has designed and implemented adequate business processes, IT systems, and related controls to support the GPP. However, the audit identified two issues concerning the design of controls in the program risk management framework and a review of the implementation benefits from the GPP.

Information Technology

4.	WBG's Server and Operating System Security (Windows)	Audit

The objective of the audit was to assess the design adequacy and operating effectiveness of controls and processes relating to Windows Server Security. Specifically, the audit sought to provide reasonable assurance that: (i) policies, procedures, standards, roles, and responsibilities are defined and up-to-date to provide adequate guidance for managing and securing WBG Windows servers; (ii) Windows servers are configured adequately to safeguard the confidentiality, integrity, and availability of critical WBG services, applications, and data residing on the servers; and (iii) processes and controls are designed and implemented effectively to identify, mitigate, and report current and emerging security threats, security incidents, configuration deviations, and system availability issues.

The audit concluded that, except for one issue relating to configurations, Information and Technology Solutions (ITS) has designed and implemented processes and controls within the Windows environment to provide reasonable assurance that current and emerging security threats, security incidents, configuration deviations, and system availability issues are identified, mitigated, and reported.

| WBG | **5.** | **WBG's Server and Operating System Security (UNIX)** | **Audit** |

The objective of the audit was to assess the design adequacy and operating effectiveness of controls and processes relating to UNIX operating systems within WBG's computing environment. Specifically, the audit sought to provide reasonable assurance that (i) policies, procedures, standards, roles, and responsibilities related to UNIX servers administration are defined and up-to-date to assign accountabilities for managing and securing WBG UNIX servers; (ii) UNIX servers are configured adequately to safeguard the confidentiality, integrity, and availability of critical WBG services, applications, and data residing on the servers; and (iii) processes and controls are designed and implemented effectively to identify, mitigate, and report current and emerging security threats, security incidents, configuration deviations, and system availability issues.

The audit concluded that the UNIX-based servers deployed within the WBG's computing environment generally support the maintenance of the confidentiality, integrity, and availability of WBG's data and systems; and highlighted two issues that need to be addressed to improve the effectiveness of operating system level security.

| **6.** | **WBG's Mobile Technology and Security Management** | **Audit** |

The objective of the audit was to assess the design adequacy and operating effectiveness of processes and controls relating to the management of WBG-provisioned and personal mobile devices, and the supporting technologies deployed in the WBG. Specifically, the audit aimed to provide reasonable assurance that: (i) mobile computing policies, procedures, and standards are defined and implemented, and risks associated with mobile computing are evaluated and managed, to protect the Bank's assets; (ii) mobile device security is adequately implemented to protect the confidentiality and integrity of WBG data while stored on a mobile device or during transmission; (iii) controls for provisioning, tracking, monitoring, and deprovisioning of mobile devices are effective, and processes support efficient mobile cost management; and (iv) mobile application deployment and management processes are defined and implemented to protect the security of WBG data.

The audit concluded that the controls for the provisioning, tracking, monitoring, and deprovisioning of mobile devices are designed and operating effectively to support effective mobile risk and cost management. However, the audit identified two issues concerning: (i) the detection of third-party mobile application vulnerabilities and (ii) reviews of the process followed by management for mobile security risk acceptance.

| **7.** | **WBG IT Risk Management** | **Audit** |

The objective of the audit was to provide reasonable assurance that the controls over IT risk management are adequately designed and operating effectively. Specifically, the audit focused on whether (i) processes to develop and approve the risk governance mechanisms, including setting the risk appetite, policies and procedures, risk taxonomies, and roles and responsibilities for managing IT risk are adequately designed and operating effectively as per an appropriate IT risk management framework; (ii) the IT risk management framework and processes inform the broader institutional risk management frameworks;

| WBG | (iii) risk management processes, including the identification, assessment, response, and monitoring, are operating effectively to manage risk within the defined risk appetite; (iv) risk management program results are reported to relevant stakeholders in a timely and effective manner to enable risk-informed decision making; (v) IT risk and controls data are secure and adequately support accurate, reliable, and timely capturing, monitoring, and reporting of risks; and (vi) adequate job-related training is provided to the ITRM team and information dissemination activities exist to create risk awareness among those taking IT risk acceptance or mitigation decisions.

The audit concluded that the controls over the IT risk management framework incorporating IT risk identification, IT risk evaluation, IT risk response, and IT risk reporting and monitoring are adequately designed and operating effectively. |
|---|---|
| Bank | **Development Operations** |

8.   Bank's Processes for Managing Reimbursable Advisory   Advisory Review
Services (RAS)

The objective of the review was to review the Bank's processes for managing Reimbursable Advisory Services (RAS) and provide advice on governance, risk management, and controls in the design and delivery of RAS. Specifically, the review focused on: (i) operational processes for the business development, preparation, resource allocation, execution, and closure of RAS projects; (ii) quality control processes of RAS projects throughout the lifecycle; (iii) costing, pricing, and billing of RAS projects to enable financial sustainability; (iv) review and monitoring of the RAS portfolio; and (v) periodic review and oversight of the RAS framework and processes.

GIA identified the need to establish and communicate to all operational levels a clear institutional understanding of the strategic positioning and institutional prioritization of RAS in the context of the range of Bank products and services. Based on this institutional prioritization of RAS, management should then review and strengthen the control elements that would be necessary to drive high-quality RAS engagements in alignment with client needs. The control elements should include: (i) a defined approach for quality assurance for RAS projects; (ii) a systematic mechanism to obtain and respond to client feedback during RAS projects; and (iii) an enhanced risk management framework that covers the entire lifecycle of a RAS project.

9.   Bank's Management of Procurement Risk in Investment   Audit
Project Financing (IPF) Projects

The objective of the audit was to assess the design adequacy and operating effectiveness of controls over the Bank's management of procurement risk in IPF projects. Specifically, the audit assessed whether: (i) procurement risks are identified and assessed, and adequate mitigation measures are set up; (ii) borrowers' implementation of mitigation measures is monitored, and procurement risks are tracked throughout the project lifecycle; (iii) procurement issues raised during supervision or through the complaint mechanism are adequately addressed and managed; (iv) information systems, data, and tools enable the

Bank

efficient and effective management of procurement risk; (v) portfolio-level monitoring and reporting of procurement risk is systematic and timely for decision making; and (vi) the efficiency and effectiveness of the new procurement framework is periodically assessed, monitored, and reported to senior management and the Board.

The audit concluded that procurement risk mitigation measures are established at the project preparation phase and recorded in the project appraisal documents following risk identification and assessment, and procurement risks and emerging issues are discussed with the borrower on an ongoing basis. However, several key controls for procurement risk management across the project lifecycle are not being implemented as designed in the IPF and procurement policy and procedures frameworks. The key controls requiring improvement or consistent application relate to procurement supervision and procurement risk assessment.

10.	Bank's Integrity Due Diligence (IDD) Process	Assurance Review

The objective of the assurance review was to assess the design adequacy and operating effectiveness of the Bank's governance structures, processes, and supporting systems to manage integrity risks arising from the Bank's engagement with nongovernmental institutions or persons. Specifically, the review focused on whether: (i) governance and oversight mechanisms are in place and a framework to address integrity risks has been established and coordinated with the other WBG entities; (ii) adequate procedures have been designed to identify the external institutions or persons required to be screened and to perform IDD to identify, assess, and address associated integrity risks; and (iii) mechanisms to effectively monitor, escalate, and report integrity risks on an ongoing basis are established and adequately supported by information systems.

The assurance review concluded that management has recently taken steps to strengthen IDD practices in the Bank and has started to formalize IDD processes. However, governance, IDD coverage, and monitoring of the IDD screening system need strengthening in line with the Bank's low risk appetite for IDD concerns.

Corporate Processes

11.	EBC's Investigatory Process and Procedures	Advisory Review

The objective of the advisory review was to provide advice and recommendations to the Ethics and Business Conduct Department (EBC) to support management's efforts to enhance the investigatory process. The review assessed the effectiveness and efficiency of: (i) the intake process for receiving and evaluating allegations of misconduct; (ii) the decision-making framework for managing the investigatory processes; (iii) timeliness of the investigatory processes; (iv) systems and tools that support tracking, analysis, confidentiality, and timely reporting on the investigatory processes; and (v) the feedback loop for monitoring and reporting on the outcomes of cases and leveraging lessons learned.

The advisory review concluded that the investigatory process is well defined and supported by policies, procedures, and systems. However, controls can be improved to enable systematic and consistent implementation of the procedures. GIA made recommendations

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to: (i) strengthen the investigatory process, including by improving processing and tracking at intake; (ii) enhance the case management system by strengthening controls; and (iii) improve the feedback loop for the investigatory process by enhancing the capturing and sharing of lessons learned.

12.	Bank's Progress on the Implementation of the Knowledge Management Action Plan (KMAP)	Audit

The objective of the audit was to provide an independent validation of the implementation status of the Bank's Knowledge Management Action Plan (KMAP). Specifically, the audit assessed whether: (i) the implementation of the KMAP is on track to achieve the intended objectives, including root cause analysis for delayed or stalled action items; and (ii) progress toward the implementation of the KMAP is measured, monitored, and reported to senior management for early course correction. The audit covered Phase 1 of the implementation of the KMAP, consisting of 16 action items.

The audit concluded that a comprehensive KMAP has been designed and committed to by management, but essential elements for its timely implementation are either not yet in place or are not operating effectively. As a result, its implementation is not progressing at the intended pace and the Bank may not achieve the intended KMAP objectives. These essential elements relate to (i) the institutional arrangements for the timely implementation of the KMAP, including executive sponsorship, a governance structure, an institution-wide KM strategy, and more widespread collaboration with operations; and (ii) program management controls over the implementation of the KMAP such as the identification, escalation, and remediation of roadblocks.

13.	Bank's Investment Administration Project (IAP)	Assurance Review

The objective of the assurance review was to assess the design adequacy and operating effectiveness of governance, risk management, and controls relating to the Investment Administration Project (IAP). Specifically, the review sought to provide reasonable assurance on whether: (i) business objectives and requirements were clearly defined to deliver anticipated benefits and value to the business; (ii) project approval, initiation, and planning processes were effective to facilitate delivery of the anticipated outcomes; (iii) governance and oversight arrangements in place over the project, including cross-functional collaboration and stakeholder involvement, were appropriate and commensurate with the IAP's magnitude and risk profile; and (iv) project management processes and monitoring activities were established to enable effective delivery of the solution.

The assurance review concluded that some steps required in the planning and initiation phases of a project of the size and nature of the IAP had not taken place. These gaps related to the sufficiency of the business case and the decision to proceed, evaluation of the implementation approach and level of effort required, project governance and management, and stakeholders' expected roles and responsibilities.

Bank	Finance

14.   Implementation of IBRD's Loan Pricing   Audit

The objective of the audit was to assess the design adequacy and operating effectiveness of the loan pricing processes of the International Bank for Reconstruction and Development (IBRD). Specifically, the audit assessed whether: (i) the current IBRD loan pricing framework, including the IBRD pricing measures in the 2018 Capital Package, is being applied appropriately and consistently to all applicable IBRD Flexible Loans (IFLs); (ii) processes to recover IBRD's funding costs are in place and are effective; (iii) the process to track and report the incremental revenue generated from the 2018 price increase is in place and is effective; and (iv) systems supporting the implementation of IBRD loan pricing are adequately secure and loan pricing data is accurate and complete.

The audit concluded that the processes and internal controls for the implementation of IBRD's loan pricing are effective and operating as designed. Factors contributing to the effective control environment over the implementation of IBRD's loan pricing are: (i) IBRD's loan pricing systems have been updated to accurately reflect the new pricing measures introduced in the 2018 Capital Increase package; (ii) a two-step approval process has been implemented to input and update loan pricing components, with appropriate segregation of duties; (iii) effective processes are in place to recover IBRD's funding costs for both fixed spread and variable spread loans; and (iv) World Bank Group Finance and Accounting effectively tracks and reports the incremental revenue generated from the 2018 price increase. As a forward-looking consideration, GIA recommended that management should consider moving to a one-pool funding model, as the existing multi-debt pool model, which distinguishes debt funding for different loan products and liquidity, involves significant manual intervention and is prone to operational risks.

15.   Reserves Advisory and Management Program (RAMP)   Audit

The objective of the audit was to assess the design adequacy and operating effectiveness of controls and processes relating to the management and oversight of the Reserves Advisory and Management Program (RAMP). Specifically, the audit assessed the adequacy and effectiveness of: (i) processes that facilitate the achievement of the primary objective of RAMP (to build clients' asset management capacity) including client selection and ongoing engagement, collaboration with Bank operations, and monitoring and reporting on development outcomes; (ii) processes to track and recover RAMP costs; and (iii) processes to safeguard against potential conflicts of interest between Treasury's responsibility in managing the Bank's liquid asset portfolio and its role in managing RAMP clients' investment assets.

The audit concluded that Treasury has designed and implemented processes and controls around RAMP to provide reasonable assurance that the Bank's primary objective for RAMP is being achieved, including processes to track and recover RAMP costs and to safeguard against potential conflicts of interest. The following factors contribute to the effective control environment: (i) processes that facilitate the achievement of the Bank's primary objective for RAMP are working effectively; (ii) a cost-recovery model has been implemented so that RAMP can effectively serve clients without requiring financial support from the Bank; and

Bank	(iii) conflict of interest and adherence to investment management agreements are managed through employee education surrounding ethical standards and trading rules.
IFC	**Corporate Processes**

16.   IFC's Knowledge Management Approach   Audit

The objective of the audit was to evaluate the knowledge management (KM) approach that supports IFC operations across both the investment and advisory project lifecycles. The engagement specifically reviewed whether: (i) a systematic KM plan and structure that supports IFC operations is in place and is measured against set objectives; (ii) knowledge sharing is promoted through clear accountabilities, role modeling, effective performance management, and adequate incentives; and (iii) KM processes and tools effectively, sustainably, and securely enable the exchange of knowledge, including information acquisition, curation, dissemination, and findability.

The audit concluded that the changes being brought about by the IFC 3.0 Strategy require a more deliberate management of knowledge than in the past. The key components necessary for establishing, implementing, maintaining, reviewing, and improving an effective KM program are either not in place or not well defined. This may affect IFC's ability to improve project quality through the sustainable sharing of practices, expertise, and lessons learned. In addition, the KM technology, tools, and systems being developed do not yet enable an efficient cross-unit flow of knowledge at IFC. This makes retrieval of knowledge across the various information repositories a time-consuming activity and relevant accumulated knowledge may not be systematically disseminated to investment and advisory staff during the project lifecycle.

17.   IFC's Management of Legal Risk   Audit

The objective of the audit was to review management's design and implementation of processes to manage legal risks, and specifically to determine whether IFC: (i) identifies legal risks on an ongoing basis; (ii) assesses, monitors, and mitigates the legal risks associated with IFC's contractual obligations to its clients and stakeholders; (iii) selects, assigns, and oversees internal and external legal resources based on the level of legal risk; (iv) utilizes suitable systems and tools to support the legal risk management processes; and (v) implements periodic reviews of the legal risk management processes, including risk reporting, with a focus on efficiency, effectiveness, and continuous improvement.

The audit concluded that the processes and internal controls for IFC's management of legal risks are effective and operating as designed. The factors contributing to the effective control environment include: (i) at the corporate level, IFC has processes to discuss and identify legal risks on an ongoing basis in key corporate leadership and management committees; (ii) legal counsels are an integral part of the project teams and are involved from the early stages of project preparation and throughout its lifecycle; (iii) an adequate number of legal counsels with valuable expertise and experience are hired at a senior level; and (iv) the legal clearances at key project milestones, as mandated by the policies and procedures framework, are hardwired in iPortal's project workflow.

IFC	**18. IFC's Internal Control over Financial Reporting (ICFR) Audit**
	The objective of the audit was to provide reasonable assurance that IFC's ICFR program is effective and efficient. Specifically, the audit evaluated whether: (i) processes, information systems, and risks related to financial reporting are identified, assessed, and monitored to effectively support the identification of key controls; (ii) key controls (including entity level and IT controls) are adequately identified, documented, tested, and regularly reviewed and updated to cater for changes in the operating environment (such as organizational changes, changes to accounting standards); and (iii) ICFR results are adequately communicated and timely action is taken to remediate identified control weaknesses.
	The audit concluded that IFC's ICFR program is fulfilling its objective of providing management with a reasonable basis for its annual assertion of the effectiveness of ICFR. However, the audit identified three issues relating to: (i) inconsistencies in the ICFR process, risk, and control inventory; (ii) the updating of program standards for reviews of ICFR control testing results and testing of controls; and (iii) the outdated documentation of core components of the framework.
MIGA	**Development Operations**
	19. MIGA's Environmental and Social (E&S) Risk Audit Management
	The objective of the audit was to assess the design adequacy and operating effectiveness of the processes for due diligence and monitoring of Environmental and Social (E&S) risks during the lifecycle of projects and activities supported by MIGA. Specifically, the audit focused on whether: (i) governance and oversight mechanisms such as policies, procedures and guidelines, roles and responsibilities, and reporting arrangements are adequately designed to manage the E&S risks of the projects and activities supported by MIGA; (ii) key controls are operating effectively to assess E&S risks, prepare mitigation measures in project preparation, comply with public disclosure requirements, monitor risks after the issuance of the guarantee (including clients' conformance with E&S covenants), and oversight of third parties contracted by MIGA to perform E&S due diligence and monitoring; and (iii) systems and controls are in place to support the completeness, accuracy, and validity of data and information used for the management of E&S risks.
	The audit concluded that MIGA has developed E&S review procedures for project due diligence, execution, disclosure, and monitoring, and introduced an E&S Review Documentation system to support its E&S processes. However, the audit identified three issues relating to: (i) clarification of the terms governing risk management of joint projects with IFC and the Bank; (ii) consistent monitoring of the portfolio of Environment and Social Action Plans; and (iii) the availability of E&S project information on MIGA's website.

In addition to the above 19 engagement reports issued in FY20, four engagements, which were at the draft reporting stage at the end of the fiscal year and completed shortly thereafter in FY21 Q1, are also referenced in the Key Themes. A summary of each of the four engagements is provided below.

Entity	No.	FY20 Engagements	Product Type
WBG	**Strategy**		
	1.	**Implementation of the Cascade Decision-Making Approach as part of Maximizing Finance for Development**	**Assurance Review**

The objective of the assurance review was to assess the progress made by management in the early stages of implementation of the Cascade approach. The review focused on whether management has provided strategic direction, incentivized staff, developed processes to incorporate the Cascade approach within operations, and is monitoring and reporting on the progress of implementation.

GIA acknowledged that the implementation of the Cascade approach entails a fundamental shift in staff behavior and the way the WBG conducts its operations, which takes time and requires constant nurturing and management focus. In the early years of implementation, key steps have been taken and a renewed focus has been established by senior management to support the implementation of the Cascade approach. The key steps include development of relevant guidance and communication materials; inter-institutional efforts to promote collaboration; and establishment of three Bank-IFC VP-level working groups.

However, the current efforts and institutional arrangements need strengthening to effectively implement the Cascade approach across WBG institutions. Specifically, three issues need management attention: (i) although certain initiatives are in place to incentivize staff, these have not been effective in motivating staff to adopt the Cascade approach; (ii) although the guidance and initiatives taken by management have created an enabling environment, a systematic and consistent process is needed to incorporate the Cascade approach within operations; and (iii) the adoption of the Cascade approach will benefit from systematic monitoring and review using measurable metrics across WBG institutions to harness lessons learned.

WBG	**Corporate Processes**	
	2. Management of Safety and Security of Staff in Non-Headquarter Offices	**Audit**

The objective of the audit was to evaluate whether governance, risk management, and control activities provide reasonable assurance that risks to the safety and security of staff working on WBG business at Non-HQ Offices are managed effectively as per the 'Operational Security Duty of Care' and WBG staff and premises are adequately protected. Specifically, the audit assessed whether: (i) the overall framework for managing staff safety and security at Non-HQ Offices including policies, procedures, guidelines, organizational accountability, roles, and responsibilities are defined, understood, and effectively implemented; (ii) processes, systems, and controls to identify threats and manage risks to safety and security of staff at Non-HQ Offices are operating effectively; and (iii) key security resources including guard forces and security equipment are procured and managed effectively, as per WBG policies.

The audit concluded that processes to support the Heads of Offices in discharging their security-related obligations are established, and several good practices for security risk management in Non-HQ Offices exist. Specifically, processes are in place to evaluate threats, identify vulnerabilities, and allocate resources to address risks in Non-HQ Offices. However, GIA identified issues that require management's attention. Those are: (i) accountability, decision making, and enforcement of WBG security management practices; (ii) institutional security oversight; (iii) security risk assessment and countermeasures implementation; (iv) compliance with field mission protocols; (v) the security focal point role, scope of duties, and incentives; (vi) compliance with mandatory security training; and (vii) security training coverage and offerings.

Bank	**Development Operations**	
	3. Bank's Environmental and Social Framework (ESF) Internal Capacity	**Audit**

The audit evaluated whether the key elements of the Bank's internal ccapacity to launch and implement the Environmental and Social Framework (ESF) had been adequately designed and were operating as intended. Specifically, the audit covered (i) policies and procedures; (ii) training and accreditation programs; (iii) relevant systems and tools; (iv) the process to share good practices between the Bank and IFC; and (v) change management activities, such as internal communication and arrangements to monitor implementation progress, capture feedback and lessons, and implement course correction.

Management has made significant progress with the preparation, launch, and embedding of the ESF. Specifically, management has completed the deliverables established under the Readiness Indicators, including the development and issuance of the ESF Guidance Notes, the Bank ESF Directive, Good Practice Notes, as well as templates for borrowers and Bank staff and the supporting system. As the ESF's embedding and operationalization are ongoing, sustained change management remains critical

Bank	to promote the cultural and behavioral changes among staff and managers and the shift to the judgement-based treatment of E&S risks. In this regard, GIA identified the need for (i) sustaining change management efforts and (ii) strengthening the training and accreditation of staff assigned to ESF projects.
IFC	**Development Operations**

4.   Integrity Due Diligence (IDD) Process in IFC Operations   Audit

The objective of this audit was to assess the design adequacy and operating effectiveness of risk management, controls, and governance over the Integrity Due Diligence (IDD) process in IFC operations, including investment operations and advisory services. Specifically, the audit covered (i) governance and oversight arrangements; (ii) the process for identification, assessment, and mitigation of integrity risks; (iii) alignment of IDD Programs with IFC's Corporate Strategy, including its enablers such as resources, information systems, and underlying data; and (iv) monitoring of risks in the portfolio and reporting to Senior Management and the Board.

The audit concluded that IFC's IDD process is adequately designed as governance and oversight mechanisms are well established; the process for identification and assessment of integrity risks, along with roles and responsibilities, is clearly defined; business units are supported by the Business Risk and Compliance (CBR) unit in the assessment and ongoing screening of integrity risks; and periodic reporting to IFC's senior management by CBR is in place. However, the operating effectiveness of the IDD process needs to be strengthened through improvements in: (i) the monitoring of integrity risks during project supervision; (ii) the IDD approach for its operations in countries experiencing fragility, conflict, and violence (FCV); and (iii) controls over the IDD screening system.

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