Excerpt from the review by the World Bank's Independent Evaluation Group (IEG) of the institution's International Development Association (IDA): "IDA Internal Controls" Volume II, pp 34-35.

Part II Deficiencies

25. Following are 22 deficiencies identified by IEG during Part II…Many of these contribute to the material weakness and significant deficiencies identified above.

Control Environment

1. ***Emphasis on Ethical Values:*** The importance of integrity and ethical values is not well reflected in staff's performance evaluation. There is a lack of specific mention of ethics in the OPE, where this issue is left to the discretion of the managers' practice.
2. ***Anti-Fraud Programs and Controls:*** Concern has been expressed that staff fear reprisal for reporting infringements and unethical behavior. This deficiency is being addressed by the new whistleblower mechanism.
3. ***Resolution of Improprieties:*** Reported improprieties are not followed up on and resolved in a timely manner *(identified in the Information and Communications component).*
4. ***Staff Incentive Systems:*** Incentives do not link to ethical behavior, and several respondents stated that the incentives are too small to influence behavior. There are no real links in the incentive system between staff rewards and project performance.
5. ***Reporting of Disciplinary Actions:*** Actions against outside parties (such as procurement debarment) are frequently and widely reported, but disciplinary actions against Bank staff are reported much less if at all. Management has accepted a recommendation of the Volcker report to correct this.
6. ***HR Policies and Skills Mix and Staff Qualifications:*** Cases occur on occasion—decentralized procurement in field offices was cited—where less than fully qualified staff members have had to make decisions beyond their level of competence. Maintaining an adequate skills mix for the Bank was identified by the 2006 Risk Scan as one of two high-priority strategic risks *(identified in the Control Activities component).*
7. ***Job Descriptions:*** The fact that *job descriptions* do not sufficiently define internal controls responsibilities appears as a weakness in the entity-level *assignment of responsibilities* which may have contributed to the non-compliance with some key controls uncovered during the Part I transaction-level review.
8. ***Separate Evaluations:*** the Quality Assurance Group, Independent Evaluation Group, Department of Institutional Integrity and the Internal Audit Department (QAG, IEG, INT, and IAD) all find that management often fails to take timely actions to follow up on audit, investigatory, and evaluation findings (*identified in the Monitoring component*).

Risk Assessment

9. ***Risk Assessment and Risk Management:*** IDA has well-articulated risk assessment processes, but is less well structured in risk management (this contributes to the risk management significant deficiency listed above).
10. ***Risk and Strategic Objectives:*** Management may not always give sufficient attention to integrating the findings of the Risk Scan process with strategic objectives

11. ***Fraud and Corruption Risk:*** Given the corruption that is endemic to the environment in many Bank and IDA client countries, the Bank may not be placing sufficient attention on the fraud and corruption risk in its strategic planning (this contributes to the fraud and corruption material weakness discussed above).
12. ***Project Level Risk:*** In its review of projects, the Quality Assurance Group (QAG) finds risk assessment at the project level to be improved but more needs to be done. During the transactions level evaluation IEG found that at the business process-level risks were not differentiated as to type, magnitude, and probability of occurrence.

13. ***Links between Strategic Objectives and Resources:*** Resource allocations are sometimes not closely enough linked to emerging strategic objectives, resulting in a lack of clarity whether certain objectives can be met. Management acknowledges that more flexibility could be helpful in redeploying resources to emerging priorities.

Control Activities

14. ***Performance Indicators:*** The [Questionnaire] ELCQ raised questions about whether the Key Performance Indicators (KPIs) were also being applied at activity and individual levels, and whether performance measurement was functioning as intended.

15. ***Segregation of Duties:*** In some cases—mostly in smaller field offices—there has been a breakdown in the segregation of duties principle because there were too few qualified staff to share these duties.

Monitoring

16. ***The Volcker Report and INT:*** The 18 recommendations relating to the structure, reporting lines, and modus operandi of INT have been accepted by management and are being acted upon.

17. ***Recommendation Follow-up:*** Monitoring systems do not all have specific instruments to ensure operational management takes action on recommendation.

Information and Communication

18. ***IT User Satisfaction:*** There is a lack of user satisfaction with IT systems such as SAP and IRIS and it is often difficult to get consistent aggregated numbers in the Bank's aggregate reporting processes because of information gaps, including in client countries.

19. ***Identifying new IT Needs:*** There is no formal mechanism for identifying emerging IT needs.

20. ***Fraud & Corruption Training:*** There is a need for improved training on detecting fraud and corruption.

21. ***Communicating Ethical Values:*** There is a need for senior management to communicate a consistent message on ethical values, fraud, and corruption.

22. ***Disaster Recovery:*** The Bank's disaster recovery system and business continuity plan is not consistently applied across all regions; it needs to be updated and requires external expertise to broaden it beyond just IT.