To:	Finance and Audit Committee (Committee)
From:	Jennifer Smith, Director, Internal Audit (IA)
Meeting Date:	February 25, 2022
Subject:	2022-2023 Internal Audit Plan

Action Requested: For Approval

Issue

The 2022-2023 Internal Audit Plan (Plan) is presented for feedback and approval in accordance with the Committee's oversight responsibilities, as outlined in its terms of reference.

Considerations

This Plan is the result of a risk-based exercise that involved discussions with IDRC's senior management team and the Chair of the Committee; key documentation review, such as the *Strategy 2030* and the November 2020 Corporate Risk Profile; and considerations of emerging areas of risk. The following table presents the ongoing 2021-2022 and 2022-2023 activities for discussion and approval:

Engagements	Report Date	Costs* 2021-2022	Estimated Costs 2022-2023	Engagement Total
Previously approved activities:				
Cybersecurity Audit	June 2022	$60,000	-	$60,000
Ethics Review	June 2022	$27,000	$6,000	$33,000
Donor Partnership Management Audit	June 2023	-	$55,000	$55,000
New activities for approval:				
HRMS - Process Design Advisory Engagement	June 2022	$20,000	$10,000	$30,000
Research Project Monitoring Audit	November 2022	-	$30,000	$30,000

Engagements	Report Date	Costs*	Estimated Costs	
		2021-2022	2022-2023	Engagement Total
Financial & Grant Administration Systems -Information Technology General Controls (ITGCs) Audit	February 2023	-	$65,000	$65,000
HRMS - ITGCs Design Assessment	February 2023	-	$40,000	$40,000
Reporting:				
Internal Audit Charter	June 2022	-	-	-
Outstanding Recommendations - Update	November 2022	-	-	-
2022-2023 Activity Report	February 2023	-	-	-
2020-2023 Comprehensive Report	June 2023	-	-	-
2023-2024 Internal Audit Plan	June 2023	-	-	-
Total estimated professional services costs		$107,000	$206,000	$313,000
Anticipated IA professional services budget for 2022-2023		N/A	$215,000	N/A
Overage (flexibility)		N/A	($9,000)	N/A

The 2021-2022 costs are actuals as at December 31, 2021, plus estimated costs to the end of the financial year.

For the second year in a row, IA has created a Plan for a single year only. This approach was first adopted last year and continues to be applicable to better align IA activities to the evolving needs and risks of the business. The Plan includes time to conduct the competitive contracting process to establish the next internal audit co-source partner arrangement. In addition, IA will regularly assess the Plan and will be nimble to respond to emerging risks and ad-hoc requests, as appropriate. If the Plan requires significant revisions throughout the year, the Plan would be re-submitted to the Committee for approval. Details on each of the activities are presented below.

Engagement Descriptions – Previously approved activities

Cybersecurity Audit

Given the context in which IDRC is working, especially in response to the COVID-19 global pandemic, the exposure to cyber-security threats has expanded. As a result, critical information necessary for the operation of the Centre may be compromised, lost, or rendered inaccessible and cybersecurity remains a top corporate risk for the Centre.

The objectives of this engagement are to assess the adequacy of IDRC's cybersecurity framework to identify, protect, detect, respond and recover from a cybersecurity attack; and, to confirm that management has established an appropriate action plan to remediate the gaps identified in the

report, resulting from the cybersecurity incident in 2020.

This engagement was approved as part of the 2021-2022 IA Plan and was originally scheduled to be reported to the Committee in March 2022; however, the timelines have been extended by a few weeks as the required information is taking longer to collect than originally planned. This engagement's report will now be presented at the June 2022 Committee meeting.

Ethics Review

Establishing governance structures, clearly defining values, promoting honesty and transparency in everything an organization does, and taking ownership and accountability over actions that support decision-making are all essential elements for fostering an ethical environment.

The ethics review will provide assurance that the Centre's overall ethics-related program and activities, mechanisms, and practices are adequate and effectively implemented, specifically focusing on assessing the management control framework in place to foster an ethical workplace. The design, implementation (dissemination and availability), and monitoring of the control framework will be assessed through a review of the in-scope policies and procedures (scoping has been carefully conducted and does not include areas under management review, such as the ongoing Culture and Values Modernization initiative).

This review is also in response to a recommendation in the 2020 External Quality Assurance Assessment of the IA Function.

This engagement was approved as part of the 2021-2022 IA Plan. It is well underway and will be reported at the June 2022 Committee meeting (as defined in the 2021-2022 IA Plan).

Donor Partnership Management Audit

Given the importance of the donor partnership process in achieving the new strategy and in meeting the partnership targets, IA is recommending that the effectiveness and efficiency of the donor partnership framework be assessed. This audit will review the governance, risks, and controls for the end-to-end donor partnership process, possibly including the identification, the pipeline management, the planning, the negotiations, the contract signing, the monitoring, and the management of the partnerships.

The management of donor agreements was previously audited by the Office of the Auditor General (OAG) during the 2016 Special Examination. The OAG noted that IDRC lacked a systematic approach to identify, assess and mitigate risks associated with parallel-funded partnerships with private-sector organizations and emerging southern funders (including reputation risk). While management has since implemented additional controls to address this risk area, IA has yet to assess these new controls.

Directly supporting the third *Strategy 2030* objective (mobilize alliances for impact), this engagement was approved as part of the 2021-2022 IA Plan and was scheduled to start in February of 2022. However, IA is proposing delaying the start of this engagement by a few months to sequence with the new engagements presented below.

Engagement Descriptions – New activities for approval

HRMS - Process Design Advisory Engagement

IDRC is implementing a Human Resources Management System (HRMS). The first phase of the implementation will focus on the core payroll module, which will primarily include the payroll and leave management processes. This module is planned to go-live at the end of May 2022 and management is updating processes, both in the spirit of continuous improvement and to align with and leverage the system, as appropriate.

Given the reputational and financial risk related to payroll, this engagement will focus on assessing the key control design of core payroll processes, as planned in the new HRMS, prior to the go-live for this system.

IA will work alongside the HRMS implementation team to provide timely advice to help strengthen the design of the controls, in support of the engagement's objectives. With a focus on appropriately timing this work, IA has started the planning phase for this engagement, as recommended by the Committee Chair.

IA will not directly design, implement or execute project tasks, processes, and/or controls. This will ensure IA remains independent and objective throughout the engagement and will not impact future work.

Research Project Monitoring Audit

IDRC has rigorous processes in place to ensure grant recipient accountability. Research project monitoring is a key mechanism by which IDRC ensures that recipients use the funds they receive for their intended purpose and thereby produce the desired technical and ultimately development outcomes. Monitoring also helps in managing the risks that were identified before a project began and that have arisen during the course of the research. Thorough monitoring and documentation of IDRC experience with recipients are guided by principles stipulated in policies and procedures.

Historically, key aspects of research project monitoring have largely been conducted in the field, thus requiring travel. Given the restrictions on travel during the pandemic period, the focus of this compliance audit will be to assess if key project monitoring controls, as designed and defined in policies and procedures, are operating effectively during virtual work conditions.

Effective project monitoring provides assurance that grant payments are released pursuant to the adequate advancement of research activities. In addition, it supports high-quality research, thus supporting *Strategy 2030's* first objective, "Invest in high-quality research and innovation in developing countries". Results from this engagement can inform our model and purpose of travel in the future, assisting with making strategic travel choices and supporting a reduced environmental footprint.

Financial and Grant Administration Systems - ITGCs Audit

ITGCs are controls related to the environment within which computer-based application systems are developed, maintained, and operated and include logical access, change management, IT operations, and cloud service provider oversight. These controls are implemented through a

combination of policies, procedures, system software, and segregation of duties considerations. When working effectively, the ITGCs reduce the risk of unauthorized access and unauthorized changes and provide assurance that the application controls operated effectively throughout the period in scope.

ITGCs for the recently implemented (July 2021) financial systems, Business Central (BC) and Coupa, have not yet been audited. In addition, ITGCs for the grant administration system (GPM) have not been audited since the migration to the cloud (July 2021).

Objectives for this engagement will be to assess whether: ITGCs are designed and operating effectively to support the financial and grant administration systems' environment; and, key application controls are operating effectively to support complete, accurate, and valid transactions and data within the financial and grant administration systems. Recognizing the OAG is performing work to support reliance on electronic approvals, IA will coordinate the scope and focus of this engagement with the OAG to avoid duplication of efforts.

HRMS - ITGCs Design Assessment

Building on the engagements described above, it is also timely to provide assurance on the ITGCs within the HRMS, anticipated to go-live at the end of May 2022.

The focus of an ITGCs design assessment is to evaluate the design and implementation of ITGCs and application controls within the system at a point in time. However, it will not test the consistent operation of controls over time, which means the assessment can be conducted on a newly implemented system. This engagement will provide early insight into the ITGCs design in the new system and mitigate the reputational and financial risk associated with payroll.

Given that this engagement is planned to be conducted after the post go-live support period concludes, the timing must be aligned to the overall HRMS implementation and could be subject to adjustment.

The foundational assurance provided through both ITGCs engagements will support the delivery of *Strategy 2030* through creating an organization that is fit for purpose.

Reporting

The following table details the planned distribution of reporting (both engagement reporting and other reporting requirements) to the Finance and Audit Committee:

Internal Audit Reporting	June	November	February	June
	2022	2022	2023	2023
Internal Audit Charter	X			
Outstanding Recommendations - Update		X		
Annual Activity Report			X	
2020-2023 Comprehensive Report				X
Internal Audit Plan				X
Engagement Reporting	X	X	X	X

Reports presented to the Committee are explained below.

Internal Audit Charter

The Internal Audit Charter will be presented to the Committee in June for review. This occurs regularly whether or not any changes are recommended.

Outstanding Recommendations - Update

IA provides an update on outstanding audit recommendations to the Committee annually through the Activity Report. In 2021-2022, IA started providing a second update to the Committee to provide additional information on follow-up work performed on recommendations arising from past engagements.

2022-2023 Annual Activity Report

The Annual Activity Report will be presented to the Committee in February. This report will consist of a self-assessment, an update on outstanding audit recommendations, and other value-added activities performed by IA. This type of reporting conforms with the *International Standards for the Professional Practice of Internal Auditing*.

2020-2023 Comprehensive Report

The 2020-2023 Comprehensive Report will be presented to the Committee in June 2023. This report will provide a retrospective analysis, including overall observed themes and areas needing further examination and improvement, of all engagements conducted from 2020 to 2023. This information will then help to inform the 2023-2024 risk-based IA Plan.

2023-2024 Internal Audit Plan

The 2023-2024 Internal Audit Plan will be presented to the Committee in June 2023. Typically, annual Plans are presented in February each year; however, in the year where a comprehensive report is prepared, the Plan presentation is adjusted to align with this report and draw on its conclusions.

Engagement Reporting

Engagement reporting will occur during Committee meetings, as scheduled.

Next Steps

Subsequent to the approval of the 2022-2023 Internal Audit Plan, IA will conduct the scheduled engagements and reporting, in accordance with the defined schedule.

The 2022-2023 Internal Audit Plan will be posted on IDRC's intranet by mid-March 2022.

Attachments and/or related reference materials

N/A