IAEA
Atoms for Peace and Development

Board of Governors

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2021 Internal Audit, Management Services and Investigations Report

Report by the Director of the Office of Internal Oversight Services

1.   This report to the Programme and Budget Committee (PBC) provides a summary of the activities conducted by the internal audit, management services and investigations functions of the Office of Internal Oversight Services (OIOS) in 2021. Set alongside the separate report on programme evaluation (document GOV/2022/10) as submitted to the PBC, together with the report on the evaluation of technical cooperation activities in 2021 (document GOV/2021/46) presented to the Technical Assistance and Cooperation Committee (TACC) in November 2021, this provides the Board of Governors with a comprehensive picture of the Office's work, and shows how the different functions within OIOS are working together to maximize the impact of internal oversight activities in providing assurance and facilitating improvement across the Agency.

2.   Internal audit provides independent and objective assurance on the adequacy and effectiveness of governance, risk management and internal control processes for the Agency's programmes, processes and activities. OIOS audits are conducted in line with a risk-based plan, in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA).

3.   In line with its Charter, OIOS also provides independent and objective advisory and consulting services to the Secretariat to help it enhance the Agency's programme performance and operations. To this end, the OIOS management services function uses the systematic application of knowledge, expertise and techniques to help managers improve how they manage their activities within the areas under review.

4.   In addition, OIOS carries out special inquiries and investigations when there are indications that the Agency's regulations, rules, policies and/or administrative instructions may have been violated, or where other irregularities in activities may have come to light. The results are used to help management take timely corrective steps, including disciplinary action where appropriate and recovery of any losses where this is possible. An important part of the investigations function's role is also to help management

to strengthen controls and processes to prevent a future recurrence of any failures that allowed misconduct to happen.

5.   This activity report comprises eight parts: Part A presents an overview of the budget and staffing for internal audit, management services and investigations; Part B addresses professional standards, including confirmation of the organizational independence of the internal audit activity; Part C summarizes the main objectives, findings, conclusions and recommendations of the audits completed in 2021; Part D highlights the main cross-cutting issues resulting from internal oversight work in 2021; Part E provides information on the work conducted by the Office's investigations function in 2021; Part F describes other activities conducted by OIOS during the year, including management services; Part G shows the status of implementation of internal audit recommendations; and Part H presents the internal audit work plan for 2022.

A.   Budget and Staffing

6.   Expenditures in connection with internal audit (IA), management services (MS), investigations (IF) and the Director's office (DIR) amounted to €2 557 372 during 2021, as shown in Table 1 below. Evaluation costs are detailed separately in the programme evaluation report to the PBC. The overall OIOS financial utilization for 2021 was 85%.

TABLE 1. 2021 EXPENDITURES (IN EUROS) ON INTERNAL AUDIT, MANAGEMENT SERVICES AND INVESTIGATIONS

Category	Staff costs	Travel	Contracts/ Consultants	Other costs	Total
DIR expenditures	195 875	0	0	53 561	**249 436**
IA expenditures	815 444	3 725	275 442	39 180	**1 133 791**
IF expenditures	227 292	1 491	65 737	2 267	**296 787**
MS expenditures	535 770	0	333 226	8 362	**877 358**
Total	**1 774 381**	**5 216**	**674 405**	**103 370**	**2 557 372**

7.   The OIOS internal audit function consists of six staff positions, all of which are at the Professional level. The investigations function consists of two Professional posts, while the management services function has four posts at the Professional level.

8.   Whenever needed during 2021, OIOS complemented or supplemented its internal audit, management services and investigations capacities with external consultancy support, for instance, to cover an investigator post that was under recruitment, and to provide specialist skills for audits of information technology (IT) security and treasury. Finally, OIOS also has three General Service staff members who provide administrative and other support.

9.   OIOS auditors, management specialists and investigators possess relevant international certifications and have a wide range of experience, particularly in the areas of finance, risk management, internal control, governance, IT, management, business process analysis and improvement, fraud and investigations. Staff members regularly undertake relevant professional development to keep their knowledge and skills up to date and to meet the continuing education requirements of their professional certifications.

B.   Professional Standards

10.   In accordance with IIA Attribute Standard 1110, the Director of OIOS must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities, and must confirm to the Board of Governors, at least annually, the organizational independence of the internal audit activity.

11.   The Director of OIOS reports directly to the Director General and has direct and unrestricted access to the Board of Governors. The internal audit activity remained free from external influence during 2021 and continued to operate with organizational independence in line with the OIOS Charter, and the Office's professional judgement has not been compromised or subordinated to others.

12.   During 2021, the Agency commissioned an external quality assessment (EQA) of the OIOS internal audit function to provide assurance on the function's adherence to relevant professional standards (the IIA's International Standards for the Professional Practice of Internal Auditing). Such an assessment is required to be undertaken at least once every five years, in line with IIA Attribute Standard 1300, "Quality Assurance and Improvement Program". The last such review was undertaken in 2016.

13.   As previously noted, initiation of the current EQA had been delayed slightly by the pandemic. The EQA process was being finalised at the date of preparation of this activity report for the PBC, and its conclusions will be presented to the Board of Governors through the OIOS report to the TACC in November 2022.

C.   2021 Internal Audit — Summary of Results

14.   The approved 2021 OIOS work plan included 14 internal audits. Final reports have been issued for 12 of these, including the four Country-level Evaluation and Audit reviews and the accompanying synthesis review that were reported to the TACC in November 2021. The fieldwork for a 13th audit (mapping assurance-related activities across the Agency in accordance with the IIA's 'three lines' model) had been concluded before the year end, and the related report was in the process of finalization when this report to the PBC was being prepared.

15.   In line with good oversight practice, OIOS formally reviewed its work plan during 2021 to ensure it remained appropriate to the Agency's needs and circumstances, and a mid-year update was presented to the Director General. The 14th internal audit from the original approved plan, of extrabudgetary project management, was absorbed into an advisory exercise aiming to help strengthen partnerships and resource mobilization across the Agency, and OIOS will be undertaking further work in this area during 2022.

16.   The majority of internal audits completed in 2021 were conducted by OIOS staff. In some cases, assistance was provided, under OIOS's supervision, by external technical experts with the specific knowledge and skills to perform the assignments in line with IIA Attribute Standard 1200, on proficiency and due professional care.

17.   OIOS uses a four-rating scale to define the maturity and effectiveness of governance, risk management and internal control within the area or system under audit. The scale is based on the recommendations of the Working Group on Harmonization of Engagement-level Audit Ratings as approved by the United Nations Representatives of Internal Audit Services in September 2016. The criteria supporting the four ratings are described in Figure 1.

Rating		Description of rating
Effective		The assessed governance arrangements, risk management practices and internal controls were adequately established and operating effectively. Issues identified by the audit were unlikely to affect the achievement of the objectives of the audited area.
Some improvement needed		The assessed governance arrangements, risk management practices and internal controls were generally established and operating effectively but needed some improvement. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited area.
Major improvement needed		The assessed governance arrangements, risk management practices and internal controls were partially established and functioning but needed major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited area.
Not effective		The assessed governance arrangements, risk management practices and internal controls were not adequately established or functioning. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited area.

FIG. 1. The rating system used for OIOS internal audits.

18.   To summarize the ratings from the 2021 audits (as set out in more detail in the following section), five of the audited areas were rated as 'some improvement needed', and one as 'major improvement needed'. The seventh assignment, the follow-up audit of the Commissary, did not generate a rating owing to its limited scope.

19.   The following summaries provide an overview of the objectives, main findings, conclusions and recommendations of the internal audits finalized by OIOS for 2021.

C.1. Internal Audits

C.1.1. Audit of Coordinated Research Activities

20.   The Agency's coordinated research activity (CRA) programme is designed to stimulate and coordinate research in selected nuclear science fields by scientists in Member States. The total revalued budget allotment to CRAs for the 2020 and 2021 financial years was €15 366 104 and €15 688 837, respectively. A total of 6 completed projects, 158 active projects, 789 research contracts and 524 agreements were supported and coordinated by the Research Contracts Administration Section during the period 1 January 2020–26 August 2021.

21.   The objectives of this audit were to evaluate the efficiency and effectiveness of internal controls applicable to CRAs to ensure adherence to the Agency's policies, procedures and standards; and to assess the efficiency and effectiveness of the CRA Online system as the main digital tool for CRA-related administration.

22.   The audit found that the current internal controls and policies applicable to CRAs do not fully mitigate the relevant risks. This is due both to weaknesses in the processes and procedures, and to non-compliance with existing internal controls.

23.   The audit suggested the need to strengthen existing policies and practices, as well as to implement additional internal controls to mitigate the Agency's risks to an acceptable level. In particular, OIOS recommended that the Secretariat should:

—   Establish appropriate control and monitoring mechanisms to strengthen the current CRA project management life cycle and related record keeping;

—   Update the current policies and procedures and ensure consistency in their application; and

—   Establish and implement appropriate governance frameworks that allow for efficient and effective system and data migration.

24.   Except for significant findings noted in the area of the CRA system and data migration, overall, OIOS rated the level of governance, risk management and internal controls in this area as '**some improvement needed**'.

C.1.2. Audit of Low Value Purchasing

25.   Low value purchasing (LVP) is intended to provide a cost-effective mechanism for procuring goods and services up to €3000 per transaction and within set monthly limits. Management of LVP is delegated by the Office of Procurement Services (MTPS) to LVP buyers across the Agency, who operate within the rules and regulations as set out in Part VI, Section 4 of the Agency's Administrative Manual. LVP represented an average of 1% of total Agency expenditure between 2016 and 2020, and 3% of total MTPS obligations and 53% of the total purchase orders processed through MTPS over that period.

26.   The objectives of the audit were to assess the design adequacy and operating effectiveness of the governance, risk management and internal controls related to LVP; and to follow up on the status of LVP-related recommendations issued through previous OIOS reports.

27.   The audit results reflect that the current internal controls and policies applicable to LVP do not adequately mitigate the related risks. This is mainly due to weaknesses in the processes and procedures themselves, non-compliance with existing internal controls and limited monitoring of transactions to ensure compliance.

28.   The audit findings suggest the need to strengthen existing policies and procedures, and to implement additional internal controls to mitigate risks to an acceptable level. In particular, OIOS recommended that the Secretariat should:

—   Formalize LVP internal controls and procedures to better manage risks associated with LVP and to ensure a consistent Agency-wide approach; and

—   Enhance the current LVP monitoring mechanisms to provide routine assurance on adherence to the internal controls in place.

29.   Based on the work conducted, OIOS rated the level of governance, internal controls and risk management in this area as '**major improvement needed**'.

C.1.3. Audit of Treasury Management

30.   The Agency's treasury operations are managed by the Treasury Unit within the Division of Budget and Finance. As at 31 December 2020, the Agency's cash, cash equivalents and investments totalled €749.7 million, with €431.2 million in cash and cash equivalents and €318.5 million in investments.

31.   The objectives of this audit were to determine the soundness of the Agency's regulatory framework, procedures and internal controls around the management of bank accounts, liquidity and cash flow, financial investments, and currency risk.

32. The audit showed that in many regards the Secretariat has put in place processes and internal controls to manage its treasury management-related risks. However, the audit identified issues related to the management of bank accounts, liquidity and cash flow, investments, and access rights.

33. To address these findings, OIOS recommended that the Secretariat should:

— Review all its active bank accounts, document the purpose of each, and determine whether any may be closed;

— Ensure that timely actions take place, and that proper written documentation is received and maintained with respect to updating bank signatory lists, reconciling bank accounts and formalizing legal arrangements;

— Assess whether current cash flow forecasting practices adequately cover the identified risks, and align its practices with existing internal guidance and protocols;

— Consider reviewing its current investment strategy to determine whether a broader diversification and improvement of the credit risk should be achieved by accepting negative interest rates for individual investments;

— Ensure the timely update of the Investment Committee's Terms of Reference to reflect the current structure and mandate of the Committee;

— Implement a segregation of duties between the initiation, approval and execution of investments and their posting in the enterprise resource planning system, ensuring that all investments are recorded and validated in a timely manner after the execution of each transaction; and

— Review existing access rights in the Agency-wide Information System for Programme Support (AIPS) to ensure that appropriate segregation of duties between preparers and approvers of transactions is guaranteed, and that access rights in applications outside of AIPS are managed independently of the Treasury Unit.

34. OIOS rated the level of governance, internal controls and risk management in this area as '**some improvement needed**'.

C.1.4. IT Security Testing

35. As part of its rotational work plan, OIOS performed security testing of the Agency's intrusion detection and prevention controls for end user workstations and the remote access infrastructure.

36. The audit demonstrated that the Agency's IT security controls have been significantly strengthened since the last OIOS assessment, in 2020, which had resulted in a rating of 'major improvement needed'.

37. OIOS made a number of recommendations to help the Secretariat further improve the security of Agency systems. Based on these findings, OIOS rated the level of governance, risk management and internal controls in this area as '**some improvement needed**'.

C.1.5. Follow-up Audit of the Vienna International Centre Commissary

38. OIOS conducted a follow-up audit of the Vienna International Centre (VIC) Commissary. OIOS initiated this follow-up audit in view of the result of the last full internal audit in 2018, which had rated the Commissary's governance, risk management and internal controls as 'unsatisfactory' (the equivalent then of the current OIOS rating of 'not effective').

39. The audit objective was to assess the extent to which management had implemented OIOS internal audit recommendations, and to provide reasonable assurance that any outstanding agreed actions were

being or would be implemented in a timely, effective and sustained manner. The scope of the audit covered the 27 recommendations from the 2018 audit, together with the 6 recommendations from a limited-scope ad hoc audit conducted in mid-2020.

40.   The audit showed that, in general, the VIC Commissary management had implemented the recommendations in a timely, effective and sustained manner. Of the 33 recommendations, 29 had been closed.

41.   The four remaining open recommendations addressed high-level weaknesses associated with the Commissary historically being managed as an almost entirely separate entity from the rest of the Agency. These weaknesses were the lack of clarity on which aspects, if any, of the Agency's regulatory framework apply to the Commissary; the lack of formal requirements, goals and objectives for Commissary procurement; risks from the lack of integration of IT systems and processes between the Commissary and Agency management support functions; and the lack of systems integration or compensating controls, including reconciliation of transaction and financial data from Commissary systems to AIPS. For some of the closed recommendations, the audit made suggestions to further enhance their continued implementation.

42.   Due to this audit's limited scope, OIOS did not provide a revised overall rating for the VIC Commissary's governance, risk management and internal controls.

C.1.6. Audit of the Agency's Recruitment Process

43.   The scope of this audit covered the recruitment process from workforce planning to the signing of a contract with a candidate. The Secretariat completed 1977 recruitments in the period 2016–2020, with the Department of Management (25%) and the Department of Safeguards (23%) between them performing almost half of all recruitments.

44.   The audit objectives were to assess whether the regulatory framework defining the recruitment process is well established and consistently implemented across the Agency; the recruitment process is conducted efficiently and effectively; and processes are in place and working effectively to monitor and report on the recruitment process.

45.   The audit showed that governance, risk management and internal controls over the Agency's recruitment process are mostly well designed and operating effectively. However, it identified findings related to the regulatory framework, implementation of the recruitment procedures, information systems supporting the recruitment process, data privacy, monitoring and reporting on the process, and efficiency and value for money.

46.   In order to address these findings, OIOS recommended that the Secretariat should:

—   Perform a comprehensive review of the Administrative Manual and the Recruitment Guidelines to identify and eliminate inconsistencies between the two; develop an institutional recruitment outreach strategy;

—   Move towards more generic job descriptions; define reference checks as a mandatory input for recruitment decision making, and make these available to decision makers on a timely basis; raise awareness and provide Agency-wide training to improve efficient and effective implementation of the recruitment procedures;

—   Strengthen the access controls over recruitment data; simplify the e-offer preparation process; streamline the internal workflow for reviewing appointment proposals; and work with the Division of Information Technology to improve the functionalities of the Taleo system; and

— Introduce controls to ensure data completeness, and monitor key recruitment metrics including the timeliness of active as well as completed recruitments.

47. In addition to the individual findings noted during the course of this audit, and building on the changes already made by the Secretariat to improve efficiency and effectiveness within the hiring process, OIOS made an overall recommendation to commission an end-to-end review of the recruitment process that would include a functional analysis of the current design of the process and selective deep-dive benchmarking to identify good industry practices that could be replicated. The outputs from such a review should be used to re-engineer the Secretariat's recruitment process, further reducing the underlying administrative efforts and cycle times, and thus helping to ensure that the Secretariat can secure the best talent in an efficient and effective manner within a competitive external marketplace.

48. Overall, OIOS rated the level of governance, risk management and internal controls in this area as '**some improvement needed**'.

C.1.7. Audit of Division of Operations C of the Department of Safeguards

49. This audit covered the activities of the Division of Operations C (SGOC) of the Department of Safeguards. This was the first time that OIOS had carried out an internal audit of a Division of Operations in the Department of Safeguards, although OIOS had previously audited expenditure relating to the Agency's activities in respect of the Joint Comprehensive Plan of Action.

50. The audit objectives were to assess the efficiency and effectiveness of the governance, risk management and internal control arrangements around the management of human and financial resources and planning and execution of safeguards activities in SGOC.

51. The audit noted a number of good practices and effective controls within the activities carried out under SGOC, which had successfully delivered its mission-critical activities despite the travel restrictions and other constraints imposed by the COVID-19 pandemic.

52. OIOS identified a number of areas for further improvement, including in internal controls, accountability, process efficiency and the use of IT tools, and made a number of recommendations in these areas.

53. Overall, OIOS rated the level of governance, risk management and internal controls in this area as '**some improvement needed**'.

C.2. Country-Level Evaluation and Audits

54. Four Country-level Evaluation and Audit (CLEA) reports were issued in 2021, together with a synthesis report consolidating cross-cutting findings of relevance beyond a single country or region.

55. CLEAs combine both audit and evaluation methodologies to provide a comprehensive assessment of the Agency's performance within a Member State. They consider the Agency's overall support to the Member State and primarily look at the extent to which the Agency's activities are aligned with national priorities and appropriately designed, and how far interventions achieve results and delivery mechanisms provide useful support.

56. Each year, the CLEAs focus on a single geographical region. In 2021, the regional focus was on Europe, and four countries were selected for assessment: Croatia, Georgia, Montenegro and North Macedonia. The criteria driving the country selection included the size and complexity of the Agency's portfolio in each Member State, the risk environment, the status of project progress/delays, the ability to compare programming experiences across different countries, and the date of the last OIOS review

in each country. Agency support to these four Member States within the review period amounted to around €15 million.

57.   The results of this work were presented by OIOS to the TACC in November 2021 and are set out in *Evaluation of Technical Cooperation Activities in 2021* (document GOV/2021/46). In total, the CLEAs made ten recommendations, while a further four cross-cutting recommendations resulted from the synthesis exercise.

D.   Cross-cutting Issues

58.   Internal audits and other oversight exercises during 2021 again identified many areas where there has been successful collaboration across the Secretariat to deliver the Agency's objectives. OIOS continues to work with Secretariat teams to support them in managing major projects and other initiatives, including significant extrabudgetary projects, and in particular to help share knowledge of what works, as well as what does not.

59.   Efficiency and effectiveness continue to be major objectives for the Agency. OIOS is supporting a major review commissioned by the Director General to assess common functions and business processes across the Secretariat and to present options for their optimization, with the goal of enhancing organizational coordination, effectiveness and efficiency. This exercise is continuing into 2022.

60.   In addition to that review, OIOS has also been refocussing its routine activities to help ensure that the Agency deploys its resources in the best way, with surplus or redundant steps being eliminated from processes and systems, and that Secretariat staff members' time can increasingly be spent on activities that contribute most to the achievement of organizational objectives. Given rising demand for the Agency's assistance, together with the challenging financial environment in Member States, such a change is critical to the Agency's ability to continue meeting its Member States' needs.

61.   The Secretariat has been undertaking further work to improve its risk management systems and strengthen accountability, including to cement a sustainable move from accountability for processes to accountability for results, and OIOS will continue to provide support and advice in this regard. OIOS audits and evaluations have also shown that the Agency needs to make further efforts to consistently mainstream gender within its programmes and projects, to accompany the progress being made towards gender parity in the staffing of the Secretariat.

62.   In an increasingly uncertain world, security — and especially IT security — is a critical concern for organizations such as the Agency. No defensive capability can fully eliminate the risk of attacks slipping through. It is therefore vital that organizations not only strengthen their countermeasures against internal and external threats, but are ready to respond appropriately if an attack is successful, or indeed in the event of any disaster scenario, including swiftly implementing business continuity and disaster recovery plans to minimize downtime, disruption and the consequent negative impact on achieving organizational objectives. In this regard, OIOS is pleased to note the positive trajectory of the results of its own IT security testing, as well as the Secretariat's significant investment in its Organizational Resilience Management System (ORMS). OIOS will carry out further work on IT security together with an audit of the ORMS in 2022.

63.   Ensuring an ethical environment is an ongoing area of focus for the Office, helping management to promote decision making that is consistently in line with the Agency's values, and to encourage staff members at all levels to speak out and raise concerns when they see something wrong. The "Accountability in Managerial Action" training programme, which OIOS helps to deliver alongside the Ethics Office, the Division of Human Resources and the Office of Legal Affairs, continues to play a

major role in this; OIOS is pleased to note the high level of engagement among the most senior managers with this programme.

64.   The steps already being taken by the Division of Human Resources to improve the Agency's recruitment processes should help to attract, select and engage strong candidates and thus further increase the effectiveness of the management cadre in particular. It should also help contribute towards attracting and retaining the best talent more generally, which is a growing challenge for all organizations given the current trends within a very competitive marketplace.

65.   A final cross-cutting issue is the Agency's response to the COVID-19 pandemic, which continued to impact organizational functioning. The Agency demonstrated resilience and tenacity in the face of the pandemic, and showed that it could continue to deliver effectively on its critical mandate. Restrictions on travel and on in-person events continued to pose challenges during 2021, for instance in how the Secretariat can monitor programmatic results and engage in productive discussions with counterparts if project managers are unable to visit Member States, or in how to address the balance between procurement and events when there remains such a significant backlog of procurement activity to be processed. Despite this, the Agency's success with pivoting in many cases to virtual events may open new opportunities to reduce the cost of delivery and increase the ease of access to Agency assistance.

66.   To make the most of new opportunities while responding to emerging and evolving risks, Secretariat managers and teams should be encouraged to look critically at how they deliver their objectives, and to embrace new ways of working where these are advantageous, while being prepared to return to pre-pandemic approaches where these make more sense, for instance in cases where in-person interaction is the only way to generate the intended results.

E.   Investigations Work in 2021

67.   The OIOS investigations function undertakes a range of activities, predominantly consisting of reactive assessments and investigations of allegations received of possible misconduct and other complaints, together with the provision of proactive support to management to reduce the risk of such misconduct occurring in future.

68.   OIOS received 25 formal complaints/allegations during 2021, compared with 24 in 2020. These included seven allegations of harassment. In addition, there was one allegation of a serious sexual assault which is currently being investigated by law enforcement authorities in a Member State. There were also four allegations of favouritism, five allegations relating to recruitment irregularities, and two of conflicts of interest. OIOS received no allegations of fraud in 2021.

69.   Ten (40%) of the reports of possible misconduct were made anonymously using the whistle-blower telephone hotline or email account, which are both maintained by OIOS, or by letter. This represents a significant increase in anonymous reporting in comparison with previous years, where the average has been around 20%. There is a direct link on the Agency's external website to facilitate reporting of concerns, including anonymous reporting, together with details of the Agency's policy on protection for whistle-blowers against retaliation (as set out in Part III, Section 3 of the Agency's Administrative Manual), and from 2021 this web page is now accessible in Arabic, Chinese, English, French, Russian and Spanish.

70.   Of the 25 matters formally reported to OIOS during 2021, 10 were closed either due to the absence of evidence or because the issues reported did not constitute misconduct. Of the remainder, two were substantiated or partly substantiated, resulting in a report to management for consideration of

disciplinary action. In a further four cases, no evidence of misconduct was found, but issues were identified that led to advisory reports either to management or to the Chief of Ethics. Two other cases were dealt with by the United Nations Department of Safety and Security, as the reported matters fell under their remit for site security at the VIC.

71.   Four allegations were in 'pending' status on 31 December 2021, awaiting further information or developments, while the remaining three were under active assessment or investigation.

72.   Where misconduct is established, the Secretariat can take a range of actions in response, including dismissal and reduction in grade or step. In addition, where it can be proven that moneys have been lost, the Secretariat will seek to recover these.

73.   In 2021, OIOS continued to provide ongoing support and advice to management, including in designing and delivering training for both managers and staff on ethical standards and behaviours. This sort of outreach constitutes a growing part of the Office's work, and helps with establishing contact and building confidence with stakeholders across the Secretariat.

74.   During 2022, OIOS will be undertaking further work to help the Agency deal effectively with the risk of fraud and corruption in its projects and other activities. In addition, the Office has been investing more generally in engaging actively with management to share knowledge relating to the weaknesses that can allow misconduct to occur, and thus help to reduce the risk of misconduct and other exposures for the Agency in the future.

F.   Other OIOS Work

75.   Primarily through its management services function, OIOS provides advice and support, upon request, to help the Secretariat to design and roll out management systems and tools, to continuously improve workflows and business practices, to align organizational settings to high-level directions, and to review and strengthen administrative procedures. The ultimate aim of these activities is to support management in its ongoing efforts to improve the Agency's ability to achieve its objectives and to achieve operational efficiency and excellence, and thus complements the assurance work undertaken by the internal audit function.

76.   During 2021, OIOS provided advice to Secretariat management in a wide range of areas including performance indicator setting, business process efficiency and effectiveness, VIC Commissary management, the Marie Skłodowska-Curie Fellowship Programme, and cost recovery.

77.   In accordance with good practice in oversight functions, OIOS has quality assurance mechanisms that ensure that its own work is of high quality, is aligned with the Agency's objectives, and delivers value to the organization. OIOS performs ongoing and periodic monitoring of the effectiveness of its activities, which includes seeking feedback from clients covering the Office's ethics and integrity, competence and proficiency, and the value added by OIOS assignments. Client satisfaction levels remained high, with 94% of client responses received in 2021 providing either 'satisfactory' or 'highly satisfactory' ratings. OIOS uses client feedback to aid its own continuous improvement as part of forward planning, to strengthen its products and ensure these will continue to meet the Agency's needs, and for the professional development of OIOS staff members and teams.

78.   During 2021, OIOS continued its efforts to further increase the efficiency and effectiveness of its work. This included responding to the Agency's evolving internal and external environments, for instance the need to adapt the CLEA methodology so it could be delivered remotely given the continuing constraints imposed by the COVID-19 pandemic on international travel. The Office also further

improved its use of data to inform its work, and this will be a bigger part of future audits and evaluations. As part of its work plan for 2022, OIOS will be further reviewing and updating its strategic direction for all four functions.

79. OIOS continued to liaise with the Agency's external auditor, the Audit Board of the Republic of Indonesia, and with the Joint Inspection Unit of the United Nations; in both cases, this helps to maximize the efficiency, effectiveness and impact of the overall oversight effort. The Office also worked closely with other internal providers of assurance and advice, including the Department of Management and the Chief of Ethics, and participated in or acted as observers in various internal senior management meetings, project boards and committees. This enables OIOS to provide information for management's decision-making processes on a timely basis, as well as ensuring that it remains aware of major Agency initiatives and evolving risks and can plan for these in its oversight work.

80. Lastly, OIOS was represented at the virtual meetings of networks such as the United Nations Representatives of Internal Audit Services and the United Nations Representatives of Investigations Services throughout the year, as well as in ad hoc discussions with other counterparts inside and outside the United Nations system and with professional institutes to ensure that it was able to best leverage evolving audit, investigation and consulting practices and techniques.

G.   Status of Implementation of Internal Audit Recommendations

81. OIOS audits routinely raise recommendations to strengthen the Agency's governance, risk management and internal controls, as well as to improve the performance of its activities and processes.

82. OIOS issues these recommendations to the Secretariat, at which point the Secretariat either agrees on a plan of action for addressing a recommendation or rejects it. During 2021, no recommendations from OIOS audits were rejected by the Secretariat.

83. The Secretariat also agrees on timescales for the implementation of recommendations. The length of time required to implement a recommendation depends on the complexity of the issue and the resources required to address it. As such, some recommendations may take a considerable amount of time to implement, while others can be resolved quickly. As part of the recommendations follow-up process, OIOS verifies the progress made by management to address outstanding issues. This includes determining whether management's actions are sufficient to enable the closure of recommendations by OIOS, and whether the extension of the agreed timelines for actions is justified.

84. Figure 2 present an overview of the status of internal audit recommendations issued by OIOS since 2012. (Please note that the status of any recommendations arising from the CLEAs is included within the equivalent charts in GOV/2022/10.)

85. Overall, out of 649 internal audit recommendations in open reviews issued by OIOS since 2012, 49 (or 8%) had passed their agreed target date but had not yet been implemented as at 23 February 2022. A further 55 recommendations were in progress, of which 39 related to audit reports issued in 2021.

86. OIOS is pleased to note that the percentage of open recommendations from reports issued in the period 2016-2019 has continued to decrease, from 31% in February 2021 to 25% in August 2021, to 16% in February 2022.

87. Nine agreed actions from audit reports issued in 2015 and earlier remain unimplemented. Management has confirmed that a number of these are being addressed in response to follow-on audits in 2021 and other management activities. OIOS will be liaising with the risk owners in the relevant

Secretariat Departments to identify any material risks as a result of the remaining open actions from 2015 and earlier, and to obtain management's formal acceptance of these risks.

88.   OIOS continues to work with management to ensure timely implementation of agreed actions, and will report again on the latest progress at the PBC meeting.
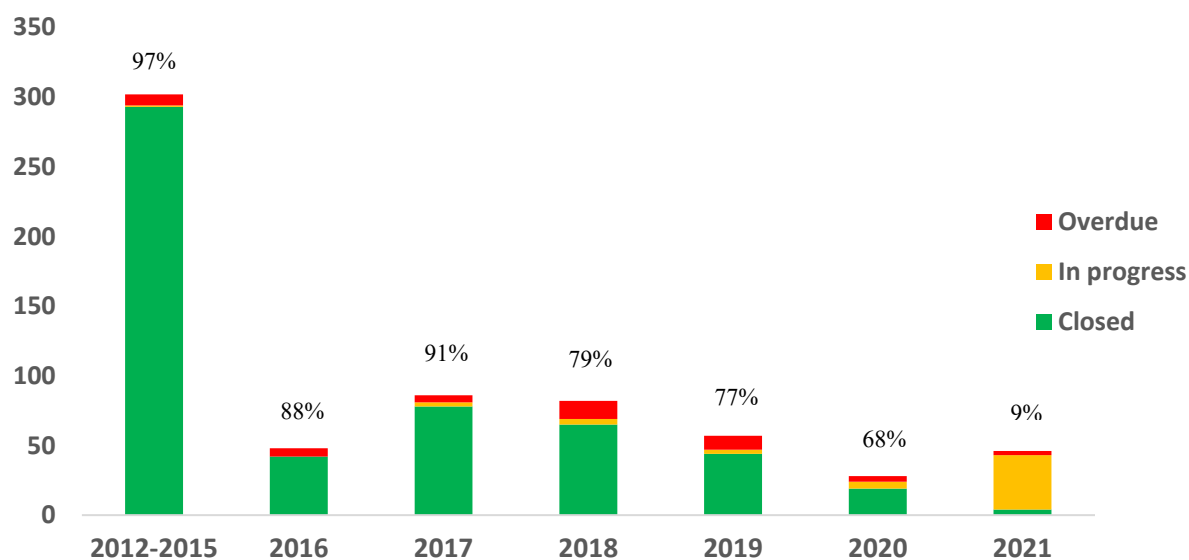
	2012-2015	2016	2017	2018	2019	2020	2021
Overdue	8	6	5	13	10	4	3
In Progress	1		3	4	3	5	39
Closed	293	42	78	65	44	19	4
Total	302	48	86	82	57	28	46

*FIG. 2. Status of internal audit recommendations as at 23 February 2022
(percentage indicates implementation rate)*

H. 2022 Internal Audit Work Plan

89.   The 2022 OIOS work plan has been approved by the Director General in accordance with the OIOS Charter. The internal audit component includes 15 assignments as set out below.

90.   Country-level evaluation and audits: The 2022 cycle will comprise six CLEAs covering the assistance delivered by the Agency within Asia and the Pacific region, together with a synthesis review that will consider aspects such as efficient and effective sharing of knowledge across the regional Division and the extent to which planning/outcomes in one country are utilized to inform and improve others in the same region. This expansion of the number of CLEA countries from four in 2021, and three each year prior to that, will both increase the OIOS coverage of the Agency's country-level assistance and enhance its ability to share experiences between different country environments.

91.   Audit of a Division of Operations in the Department of Safeguards: Following the first audit by OIOS of a Division of Operations in 2021, this review forms part of a rolling programme to provide assurance on the independence, impartiality, timeliness, effectiveness and efficiency of safeguards implementation. It will focus, inter alia, on implementation of policies and procedures in accordance with Department of Safeguards policy and strategy; management of human and financial resources assigned to the Division in an effective and efficient manner, including planning and assignment of resources, implementation of planned activities and assessment of outcomes; planning and implementation of inspections; quality control and management, including management of key risks; and provision for evaluation.

92.   Audit of regional offices: This assignment will follow up on the OIOS audit from 2017 on the Agency's regional offices, to provide assurance as to the effective implementation of agreed actions as well as on ongoing risk management, governance and internal control.

93.   Audit of a Division in the Department of Nuclear Energy: This operational audit will provide assurance on governance, risk management and control, and will form part of an ongoing audit cycle in future years.

94.   Audit of a Division in the Department of Nuclear Safety and Security: This operational audit will provide assurance on governance, risk management and control, and will form part of an ongoing audit cycle in future years.

95.   Audit of the Agency's approach to fraud risk management: This audit will provide assurance on the effective identification and mitigation of fraud risk within the Agency's programmatic and other activities, following the promulgation of the Agency's Anti-Fraud Policy in June 2020.

96.   Audit of vendor management: This audit will focus in particular on the Agency's management of vendor-related data (including master data) and transactions.

97.   Audit of succession planning: This audit will look at controls to ensure effective planning for, and mitigation of risks relating to, succession in key Agency roles.

98.   Audit of business continuity and disaster recovery: Following the publication of the Agency's Policy on the Organizational Resilience Management System in October 2021, this audit will provide assurance on the effective management of business continuity and disaster recovery.

99.   In accordance with internal auditing good practice, the OIOS work plan will be kept under review during the year and modified as necessary to reflect changes to the Agency's risk profile, audit and assurance needs, and other circumstances.

Annex

Implementation of Internal Audit[1] Recommendations

Internal Audit Title	Report Year	Total Issued	Closed	In Progress	Overdue	Client Rejects
Operation of Seibersdorf Laboratories	2012	7	6		1	
Data Analytics / Continuous Monitoring Review	2012	4	3		1	
IAEA's Environment Laboratories (NAEL) in Monaco - Compliance Audit	2013	6	4		2	
Audit of the VIC Medical Service	2014	5	4		1	
Audit of the Use of Third Parties in IT	2014	5	4		1	
Audit of Agency-wide Security Governance	2014	19	18		1	
Audit of the Agency's Insurance Programme	2015	7	6	1		
Data Retention	2015	8	7		1	
Audit of the Agency's Language Services	2016	3	3			
Cloud Computing	2016	8	8			
Information Security Threat Management	2016	6	4		2	
LEU Bank - Compliance and Readiness Review	2016	1	1			
Review of MoSaIC	2016	7	7			
Segregation of Duties - AIPS Plateau III	2016	11	8		3	
Vendor Management Audit	2016	7	6		1	
Space Allocation in the IAEA	2016	5	5			
Audit of Agency Travel Management	2017	21	17		4	
Audit of PACT	2017	14	14			
Audit of Regional Office Tokyo	2017	11	10		1	
Audit of Regional Office Toronto	2017	12	11	1		
Effectiveness of Internal Controls related to Time Management	2017	2	1	1		
Compliance Audit - JCPOA Expenditures	2017	2	2			
IT Security Testing (Penetration Test)	2017	1	1			
Peaceful Uses Initiative Audit	2017	11	11			
Personnel Selection Process	2017	12	11	1		
AIPS Post-implementation Review	2018	9	3		6	
Asset Management	2018	16	14		2	
Audit of Procurement Management	2018	25	18	3	4	
Business Continuity Management	2018	22	20	1	1	
MOSAIC post-implementation review	2018	7	7			
Planning and Funding of Capital Expenditures	2018	3	3			

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[1] Data as of 23 February 2022, excluding recommendations relating to the CLEAs. Note that data for the period 2012–2015 include only OIOS projects with outstanding recommendations.

Internal Audit Title	Report Year	Total Issued	Closed	In Progress	Overdue	Client Rejects
Audit of the Agency's Freight Forwarding Services	2019	5	5			
Commissary Management	2019	27	23		4	
Information Security Risk Management in SGTS	2019	8	4	1	3	
MTHR Transformation	2019	2	1	1		
Payroll and Staff Entitlements	2019	4	4			
Resource Mobilization	2019	4	2	1	1	
Security testing of the Wi-Fi Network	2019	1	1			
SG Assurance Processes	2019	2			2	
Audit of Management Arrangements for Technical Cooperation	2019	4	4			
Ad hoc audit of the VIC Commissary	2020	6	6			
Security testing of Agency Networks and Systems	2020	7	6	1		
Audit of the Renovation of the Nuclear Applications Laboratories	2020	5	3	2		
Audit of the LEU Bank Project	2020	-				
Audit on Licence Management	2020	2	2			
Audit of the Use of Non-staff Personnel	2020	6	2	1	3	
Audit of Representation and Hospitality	2020	1			1	
Audit of Agency Support to Member States in Respect of the COVID-19 Pandemic through TC Project INT0098	2020	1		1		
Audit of Coordinated Research Activities	2021	8		8		
Audit of Low Value Purchasing	2021	3		3		
Audit of Treasury Management	2021	10	3	7		
IT Security Testing	2021	4		4		
Follow-up Audit of the VIC Commissary	2021	-				
Audit of the Agency's Recruitment Process	2021	13	1	9	3	
Audit of Division of Operations C of the Department of Safeguards	2021	8		8		