Internal Oversight Division

Reference: IA 2016-08

Audit Report

Audit of Enterprise Risk Management

December 16, 2016

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LIST OF ACRONYMS

3LoD	Three Lines of Defense
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EPM	Enterprise Performance Management
ERM	Enterprise Risk Management
FRR	Financial Regulations and Rules
IOD	Internal Oversight Division
IT	Information Technology
OI	Office Instruction
RBM	Results-based Management
RMG	Risk Management Group
SRP	Strategic Realignment Program
SRR	Staff Regulations and Rules
UN	United Nations
WIPO	World Intellectual Property Organization

EXECUTIVE SUMMARY

1.   The Internal Oversight Division (IOD) conducted an audit of Enterprise Risk Management (ERM) in WIPO in line with its 2016 work plan. The main objectives of the audit were to take stock of what has been achieved so far in establishing ERM in WIPO and assess adequacy of ERM processes in terms of their design and effectiveness.

2.   Since the endorsement of WIPO's accountability framework by the Member States in 2014, considerable progress has been made in establishing a formal and functional ERM process in WIPO. In this regard, the issuance of a risk management policy and risk and internal controls manual, establishment of the Risk Management Group (RMG), adoption of a risk appetite statement and implementation of an ERM Information Technology (IT) platform could be cited among the key steps.

3.   WIPO's accountability framework recognizes the "three lines of defense" model in effectively managing its risks through the implementation of internal control with a cohesive and coordinated approach. IOD noted that the monitoring role of second line functions can be further enhanced by formally allocating the task of validating internal control self-assessments conducted by programs in order to determine whether controls are adequate and function as intended.

4.   The significant part of internal controls that operate in WIPO are drawn from the Financial Regulations and Rules (FRR), Staff Regulations and Rules (SRR) and related Office Instructions (OI). Hence, as part of management's on-going efforts to document key business processes and internal control activities, it is essential that internal control measures specified by those documents be considered when documenting WIPO's inventory of key internal controls. Furthermore, this exercise also provides an opportunity to assess whether all internal controls, as required by WIPO FRR and SRR, have been put in place and operate as intended.

5.   Adequate recording of information relating to the attributes of controls such as control type, its nature, frequency and priority will further help enhance the process of building an inventory of internal controls.

6.   IOD conducted a benchmarking survey of ERM practices with United Nations (UN) and other International Organizations. The results of the survey, in which 32 organizations participated, indicate that WIPO's ERM practices are among the more risk-aware organizations. Indicatively, WIPO is among a handful of organizations (~18%) which have implemented a formal ERM IT system.

7.   Further improvements to the ERM process can be made by (i) clear categorization and focus on strategic risks facing the Organization; (ii) constantly improving the linkage between annual work plan activities and the identification and assessment of risks; (iii) using incident management records to identify any potential unmitigated risks; and (iv) reviewing inventory of controls within business processes with a view to identifying opportunities for optimization of internal controls.