



# WORLD INTELLECTUAL PROPERTY ORGANIZATION

INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT

PROPOSAL FOR THE EXTERNAL QUALITY ASSESSMENT

REPORT – NOVEMBER 2020

WIPO FOR OFFICIAL USE ONLY



The IIA Independent Assessment Team would like to thank the WIPO Director of the Independent Oversight Division (Dir IOD) and the Internal Audit team for their support of the IIA External Quality Assessment (EQA) process and their commitment to continuous improvement.

We would also like to thank the WIPO Director General (DG), the members of the Independent Audit Oversight Committee (IAOC) and the seven other senior stakeholders who participated in this EQA, for their considerable support, constructive feedback and their valuable insights into the main areas of opportunity for improvement.

*Quis custodiet ipos custodes?*

But who will guard the guards themselves?

**Juvenal, Satires, VI-347**

*Felix qui potuit rerum cognoscere causas.*

Happy is he who has discovered the causes of things.

**Virgile, v.490 du 2ème livre des Géorgiques**

*In the demonstration, where we go back from the thing to be demonstrated to the first principles, or we descend from the first principles to the thing to be demonstrated; from which arise analysis and summary.*

**d'Alembert Œuvres tome I p. 334**

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# Executive Report

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## 10 Core Principles for the Professional Practice of Internal Auditing

Standards Categories	Attribute Standards				Performance Standards						IIA Code of Ethics	
General Standards	 1000 Purpose, Authority, and Responsibility	 1100 Independence and Objectivity	 1200 Proficiency and Due Professional Care	 1300 Quality Assurance Improvement Program	 2000 Managing the Internal Audit Activity	 2100 Nature of Work	 2200 Engagement Planning	 2300 Performing the Engagement	 2400 Communicating Results	 2500 Monitoring Progress		 2600 Resolution of Risks Acceptance
Conclusion	Generally conforms	Generally conforms	Generally conforms	Generally conforms	Generally conforms	Generally conforms	Generally conforms	Generally conforms	Generally conforms	Generally conforms		Generally conforms

### What needs to be praised at the Internal Audit

The following observations about the professionalism of WIPO internal audit, merit praise;

- The team consists of a head and two auditors and has set, and is achieving, high standards of proficiency. From documented policies to the use of technology to automate and broaden audit coverage, the team's compliance to the professional standards set by the Institute of Internal Auditors (IIA), is noteworthy for a team of its size. This includes their commitment to addressing the points raised in the previous EQA in 2014.
- The team has been recognised by auditee stakeholders for doing its job with full independence and for providing auditees and management with appropriate audit challenge.
- The team is small but senior, well qualified and with a commitment to ongoing training and development to stay abreast of best practices.
- The ethics training, the ethical standards, and the level of scrutiny the auditors undergo (UN, WIPO and from within the Internal Oversight Division) to ensure they have, and maintain, full objectivity, free of any potential conflict of interest, is also noteworthy.

### What could be done better

Whilst displaying a high level of proficiency and compliance with the standards, WIPO internal audit could add even more value, at both the WIPO enterprise level and the auditee level by;

- Further raising its strategic focus by better aligning its audit plan, governance engagements and the scope of individual audits, with the greatest threats to WIPO's strategic objectives and expected outcomes. This could be enabled by a risk appetite review of the audit universe with the Risk Management Group (RMG) and "observer" participation at RMG meetings.
- Sharing findings in progress with the auditee during the audit field work, i.e. before the delivery of the first draft report, specifically with senior auditee stakeholders, and by introducing a greater level of formal root cause analysis in the reports. This will reduce the effort required to finalise audit reports and may also help to enhance ownership for the implementation of Management Action Plans, and
- Take measures to improve access to, and the use of, the work of other key external assurance providers, with a view to enabling an annual overall audit opinion and reducing audit fatigue among WIPO auditees.





# External Quality Assessment Report

External Quality Assessment - WIPO - Internal Audit - October 2020



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**Standard 1000**  
Purpose, Authority and  
Responsibility

## Standard 1000: Purpose, Authority and Responsibility.

- No gaps identified. However, opportunities to further improve the Independent Oversight Charter (IOC) were identified.

*The IOC could be improved to further align with the Institute of Internal Auditors (IIA) 2017 model Internal Audit (IA) charter as follows:*

1. *Performance Appraisal of the Director Independent Oversight Division (Dir. IOD): Revise paragraph 54 so that the performance appraisal is made by the Independent Advisory Oversight Committee (IAOC) after receiving input from, and in consultation with the Director General (DG), instead of the other way as it is currently.*
2. *Annual Report: Revise paragraph 47 to include the requirement to:*
  - *provide an annual opinion on the overall governance, risk management and control environment, consistent with the expectations of the External Auditor, the National Audit Office (NAO) of the UK. Refer also to standards 2010 and 2450 below, and*
  - *provide quarterly updates to the IAOC, as is currently being done, in their capacity as advisors representing the General Assembly (GA) including the sub-committee the Program and Budget Committee (PBC) i.e. the Board.*
3. *Direct Access to the Board: Clarify in paragraph 14 of the IOC that the Dir. IOD has direct access to the chairs of the GA, the chairs of the two main sub-committees of the GA, the Program Budget Committee (PBC) and the Coordination Committee (CoCo), and to the chair of the IAOC.*
4. *Resources: Clarify/ strengthen paragraph 49 so that the advice of the IAOC with respect to the annual budget and resource submission, is made directly to the PBC, as well as to the DG.*
5. *Section C Mandate and Section E Conflict of interest: Specify how independence will be maintained e.g. annual declarations, prohibiting auditors from having operational responsibility etc.*
6. *Section C Mandate: Specifically refer to the key activities that internal audit must evaluate and contribute to the improvement of, namely governance, risk management and control processes.*

## IOD Internal Audit Response

1. IOD will seek advice from the IAOC and propose a modifications to the IOC subject to the approval of the PBC and GA.
  2. The standards under which IOD operate, do not make an overall opinion mandatory. However, IOD has initiated a number of projects and initiative to put in place the necessary measures to enable an overall opinion to be made by the end 2025, and subject to implementation of a number of recommendations made in this Report. Subsequently, the recommendation to modify paragraph 47 of the Annual Report can be implemented.
- IOD will seek the advice of the IAOC for each of the points 3, 4, 5 and 6, and propose the necessary changes to the Internal Oversight Charter, for submission to the PBC and GA.



**Standard 1000**  
Purpose, Authority and  
Responsibility



**Standard 1300**  
Quality Assurance and  
Improvement Program

## Standard 1010: Recognising what is mandatory in the Charter.

- The mandatory nature of the core principles of the IIA's International Professional Practices Framework (IPPF) are not formally recognised in the IOC.

➔ *Update the IOC to recognise the mandatory nature of the core principles of the IPPF.*

## Standard 1312: External Assessments

- The report for the last External Quality Assessments (EQA) was issued in April 2014.

➔ *External Quality Assessments should be performed at least once every 5 years. For large, mature, dynamic organisations, a frequency of every three years is recommended.*

## Standard 1320: Reporting on the Quality Assurance and Improvement Program (QAIP)

- No gaps identified. However elements of the QAIP are reported separately in different reports, some not every year.

➔ *Reporting of the QAIP could be improved by reporting the entire program holistically and timely at the end of each year in the Dir. IODs annual report, for the results of that year, including that year's (or biennial's) self-assessment.*

## IOD Internal Audit Response

- IOD will seek the advice of the IAOC and propose a change to the Internal Oversight Charter, for submission to the PBC and GA.

## IOD Internal Audit Response

- IOD will ensure that the external quality assessments take place every 5 years.

## IOD Internal Audit Response

- IOD will develop an annex to the Annual Report of the Director of IOD, dedicated to reporting on the QAIP.





**Standard 2000**  
Managing the Internal Audit  
Activity



**Standard 2100**  
Nature of Work

## Standard 2010: Planning

- Opportunities to improve the annual audit plan priorities to be more consistent with WIPOs top strategic goals and expected outcomes, were identified.
1. *A risk appetite review of the audit universe should be led by the Dir. IOD with the Risk Management Group (RMG) / Senior Management Team (SMT) to update the audit universe, to agree on the highest priorities and the appropriate coverage of those priorities. The coverage should take into account the work of other assurance providers (including the ISO reviews), after consideration of their work.*
  2. *Using these inputs, and leveraging the results of the recent IOD Assurance Mapping report, identify opportunities to raise the strategic focus of the annual audit plan, potentially rely more on the work of other assurance providers, develop a plan that will facilitate an annual overall opinion, consistent with the expectations of the external auditor, the National Audit Office (NAO) of the UK.*
  3. *The DG and SMT should also consider inviting the Dir. IOD to the RMG meetings as an observer, as well as any other relevant SMT forums and Boards when appropriate. This will support the Dir. IOD to gain a better understanding of the rationale behind strategic initiatives, the identification and prioritization of strategic risks, and their related mitigating action plans.*

Refer also to Standard 2201 below for comments on Engagement Planning opportunities.

## Standard 2110: Governance

- An opportunity to improve the assessment of governance processes was identified.
- ➔ *Whilst the IOD IA team does focus on many elements of the organisation's governance processes, it does not holistically review the interrelated system of governance processes used by the SMT to govern WIPO. Refer also to opportunities at standard 2010 above and 2450 below.*

## IOD Internal Audit Response

- IOD will engage with Senior Management, and seek advise from the IAOC to propose a modification of the Charter, and/or other relevant policy, procedures, or manual, to reflect the recommendations made. Notably:
  - Attendance as observer, to all key meeting groups/boards/committees
  - Establishment of a standing annual risk appetite review with the Risk Management Group;
  - Systematic access to all third-party assurance providers reports;
- IOD will develop a roadmap to enable an overall opinion to be made by end of 2025.

## IOD Internal Audit Response

- IOD will continue to include governance related engagements in the biennial work plan, subject to the result of planning risk assessments, and meetings with Stakeholders during the planning process.



## Standard 2200 Engagement Planning

### Standard 2201: Engagement Planning Considerations.

- Opportunities to improve the planning of individual audit engagements were identified.
1. *A risk assessment is done during engagement planning incorporating risks from the ERM Acuity system. The audit opening meeting then serves as an opportunity for management to review the planning.*  
  
*IA could further involve auditees in the engagement planning/ risk assessment process, by introducing a new procedure to review the key risks identified by IA, with the key auditee stakeholders prior to the start of the field work.*  
  
*The review should incorporate any risks of great (strategic) importance to the key auditee stakeholders not already identified by IA, if any. The review should also aim to achieve alignment on the ranking/ prioritisation of the risks.*  
  
*Alignment might not mean full agreement on the highest and lowest risks. However, at a minimum it means IA will take full account of the top risks from the perspective of the key auditee stakeholders.*  
  
*Alignment of the risks before the start of the field work should ensure engagement planning and WIPO resources (audit and auditee) are focused on the auditee's most mission critical risks.*
  2. *Planning for special projects and complex multi-function audit engagements, should provide for a reasonable buffer to take account of the new or novel activity being audited and the challenge associated with the complexity of coordinating multi-auditee engagements.*
  3. *Audit plans for combined engagements between different units of IOD (e.g. IA and the Investigations unit), could be further improved by separately detailing the time allocated to the different IOD units.*
  4. *Finally, the extent to which non-responsive auditees may be the cause of any delays between the planned completion date and the actual completion date of any engagement, this should be taken into account in the planning, as well as addressed at a more fundamental level i.e. what the root cause is and how to redress it.*

### IOD Internal Audit Response to point 1

- IOD organizes opening meeting with auditees to among others: explain the objectives, scope, and methodology, as well as capture the key concerns including risks and expectations of auditees. Minutes of opening meetings contain the key conclusions of the meetings, which are incorporated in the fieldwork where applicable. Further, key management risks are captured in the Organization risk management tool, which is used by IOD in planning.
- IOD will review its current process and discuss with management, with a view to identifying gaps and opportunities for further enhancements.

### IOD Internal Audit Response (2 to 4)

- IOD will modify the engagement planning template to reflect separate and detailed time allocated to each IOD function during a combined engagement.
- IOD will adjust the timeline for completing engagements based on better planning and assessment of potential completion delays. IOD will remind Programs on the need to provide comments within the set timelines (as per the Internal Audit Manual).



## Standards 2300 Performing the Engagement

### Standard 2320: Analysis & Evaluation.

- Opportunities to improve the analysis and evaluation that supports audit finding conclusions, were identified.

1. *During the opening meeting of each audit, IA should agree a timetable for update meetings (weekly, fortnightly etc) with the auditee, specifically to include senior stakeholders, to discuss, advance and clear findings during the field work. This should help the auditors produce a “closer-to-final” draft report at the end of the field work and reduce the time taken to finalise the report. Refer also above to 2201 for suggestion re non-responsive auditees.*
2. *Formally identify root cause information in the work papers by documenting them under a specific heading for each finding/ recommendation. Root causes should also be formally discussed with auditees and senior stakeholders in the formal update meetings referred to above. Consideration should also be given to formally presenting them in the final audit report.*

IOD may also consider the following:

3. *Consideration should be given to replacing the current audit report “Recommendations” with “Management Action Plans (MAPs).”*

*IA should continue to discuss, and support the auditee in the development of MAPs, as it does today with its recommendations.*

*Once alignment is reached on mutually satisfactory MAPs, the final report should clearly state that the MAPs are management’s response to the audit finding, not merely recommendations made by the auditors.*

*Aligned MAPs in the final report, owned by management, could help to close some MAPs (former recommendations) faster than in the past when they were Recommendations owned by IA.*

### IOD Internal Audit Response (1 to 2)

- While regular meetings may not take place with Senior Management, it does take place with Management who are the main focal points during engagements. Going forward, IOD will further enhance interaction with Senior management by formally agreeing during opening meetings on the frequency of status update meetings to be held with Senior management during engagements.
- Root causes are integrated in IOD’s work and when discussing issues and developing recommendations and action plans. However, IOD recognizes the need to better formalize the root cause analysis and for that purpose, will update the Internal Audit Manual and develop an applicable template.

### IOD Internal Audit Response (3)

- IOD will seek advice from the IAOC on the feasibility and suitability of developing reports with no recommendations, and subsequently discuss with management, with a view to implementing a pilot if and when the right conditions exist.



## Standards 2300 Performing the Engagement



## Standard 2400 Communicating Results

### Standard 2330: Documenting Information.

- No gaps identified. However opportunities to further improve documenting information were identified.
- ➔ *In order to facilitate the review of large and complex pivot tables and spreadsheets, as well as to minimize potential errors in such analysis, IOD IA should consider documenting relevant information such as: source of data; statement and purpose of analyses; and methodology and treatment of data.*
- ➔ *Furthermore, for better assurance on accuracy, IOD IA can consider introducing a documented peer review specifically for large complex data analytics spreadsheets.*

### Standard 2421: Errors and Omissions

- No gap identified as there were no errors and omissions identified in final communications during the period under review.
- ➔ *Whilst final communications during the period under review did not contain significant errors or omissions, consideration should be given to updating the Audit Manual to include a policy on how to deal with such errors or omissions should they arise in the future.*

### Standard 2431: Engagement Disclosure of Non-Conformance

- No gap identified as there were no audits performed that were not in conformance with the standards during the period under review.
- ➔ *Whilst there were no instances of non-conformance that impacted any specific engagement for the period under review, consideration should be given to updating the Audit Manual to reflect the likely scenarios that might result in non-conforming audits in the future and include a policy on how to deal with them should they arise.*

### Standard 2450: Overall Opinions

- No gap identified. However, an opportunity to further improve the annual report of the Dir. IOD was identified.
- ➔ *Annual audit plans should be developed with the aim of being able to provide an annual audit opinion. The resources required to support such a plan, the audit focus of such a plan, and the reliance on the work of other assurance providers should be determined to be enable the Dir IOD to provide an annual overall opinion. Refer also to the comments at standard 2010.*

### IOD Internal Audit Response (Standard 2330)

- IOD will add this procedure in the audit manual and begin implementation on engagements from 2021 and when applicable.

### IOD Internal Audit Response (Standards 2421 & 2431)

- IOD will update the audit manual accordingly, to reflect standard 2421 and 2431.

### IOD Internal Audit Response (Standard 2450)

- Implementation of Standard 2450 recommendation is subject to assessment of resources, systems and tools, and implementation of recommendations on standard 2010. Specifically:
  - Attendance as observer, to all key meeting groups/boards/committees
  - Establishment of a standing annual risk appetite review with the Risk Management Group;
  - Systematic access to all third-party assurance providers reports;
- IOD will develop a roadmap to enable an overall opinion to be made by end of 2025.

# Appendices

External Quality Assessment - WIPO - Internal Audit - October 2020



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## Objectives of the EQA

- The principal objectives of this External Quality Assessment (EQA) were to (1) assess the conformance with the Standards and the IIA Code of Ethics of the Internal Audit function (IA) of the Independent Oversight Division (IOD) ; (2) assess their effectiveness in providing assurance and consulting services to the Director General (DG), the Senior Management Team, the General Assembly and its sub-committees, and other interested parties; and (3) identify opportunities, offer recommendations for improvement, and provide counsel to the audit team for improving their performance and services and promoting their image and credibility.

## Scope of the EQA

- The scope of the EQA addressed internal audit activities, as set forth in the WIPO Independent Oversight Charter approved by the General Assembly as part of the WIPO Financial Regulations and Rules. This Charter defines the authority and responsibility of Internal Audit Function.

## Methodology of the EQA

- To accomplish the objectives of this EQA, we reviewed documentation submitted by the IA team and the Dir. IOD at our request; conducted interviews with selected key stakeholders including the DG, two members of the IAOC and the External Auditor, the NAO of the UK; and reviewed a sample of audit projects and associated work papers and reports.

## Reporting Period

- The onsite portion of the EQA took place from 12 November to 23 November, 2020.
- The reporting period covered years 2016-2020 and was based only on the information made available through the end of October 2020, when field work was substantially completed.

## Opinion as to Conformance with the Standards and the IIA Code of Ethics

- The conclusion of the IIA Quality Assessment Team is that the Internal Audit of the WIPO IOD IA function generally conforms to:
  - ↳ the Internal Audit's Core principles for the Professional Practice of Internal Auditing
  - ↳ The Definition of Internal Auditing
  - ↳ the International Standards for the Professional Practice of Internal Auditing
  - ↳ the Internal Audit's Code of Ethics
- This level of conformance demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing ("Core Principles") and the Definition of Internal Auditing.
- A detailed list of conformance to individual Standards and the IIA Code of Ethics is shown on page 5 of this EQA report.

## Elements supporting the Opinions

- The “generally conforms” opinion means that the IIA Assessment Team has concluded the following
  - ↳ For Individual Standards, the Internal Audit conforms to the requirements of the Standard or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects
  - ↳ For the General Standards, the Internal Audit achieves general conformity with a majority of the individual Standards and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the General Standard.
  - ↳ For the Internal Audit overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards, the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

## Selection of Audit Engagements

Type of Audit	Audit Name	Year
Assurance/ Special Project	Assurance Mapping of WIPO	2020
Assurance	Audit and Integrity Review of Staff Benefits and Entitlements	2020
Assurance	Audit of PCT Netting Pilot	2019

- **CPE** : Continuous Professional Education
- **EQA**: External Quality Assessment
- **ERM** : Enterprise-wide Risk Management system
- **IA**: Internal Audit
- **IIA**: The Institute of Internal Auditors
- **IPPF**: International Professional Practices Framework of The IIA
- **QAIP**: Quality Assurance & Improvement Programme





