



E

IOD/IAP/2021
ORIGINAL: ENGLISH
DATE: JANUARY 21, 2021

Internal Oversight Division

Internal Audit Policy

2021-2023

TABLE OF CONTENTS

LIST OF ACRONYMS.....	3
1. BACKGROUND.....	4
2. PURPOSE AND OBJECTIVES OF THE INTERNAL AUDIT POLICY	4
3. DEFINITION AND MISSION.....	5
4. ACCOUNTABILITY AND AUTHORITY	5
5. PROFESSIONALISM AND PROFICIENCY	6
6. CODE OF ETHICS.....	6
7. SERVICES AND TASKS OF THE INTERNAL AUDIT FUNCTION	7
8. AUDIT PROCESS: PLANNING, CONDUCTING AND REPORTING	9
9. PURPOSE AND USE OF AUDIT RESULTS.....	10
10. REVIEW CLAUSE.....	10

LIST OF ACRONYMS

IA	Internal Audit
IAOC	Independent Advisory Oversight Committee
IIA	Institute of Internal Auditors
IOC	Internal Oversight Charter
IOD	Internal Oversight Division
IP	Intellectual Property
IPPF	International Professional Practices Framework
RBM	Results-Based Management
UN-RIAS	United Nations Representatives of Internal Audit Services
WIPO	World Intellectual Property Organization

1. BACKGROUND

1. The Internal Audit (IA) Policy (hereinafter the Policy) provides the framework and governing principles for planning, conducting, and reporting internal audit engagements in the World Intellectual Property Organization (WIPO). The Policy establishes principles for the IA function within the program cycle management system of WIPO. This Policy is developed to operationalize the Internal Oversight Charter (IOC), which requires the establishment of a Policy for the IA function¹. This Policy is in turn implemented through the Internal Audit Manual and other relevant procedures, and guidelines.

2. As applicable, feedback provided by WIPO Senior Management, the Independent Advisory Oversight Committee (IAOC) and Member States was also taken into account in the formulation of the Policy. This Policy comes into effect upon approval by the Director, IOD in fulfillment of his obligation as mandated by the IOC.

2. PURPOSE AND OBJECTIVES OF THE INTERNAL AUDIT POLICY

3. The Policy is consistent with WIPO regulations, rules, and the IOC, and has been prepared in conformance with of the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) and related standards and guidance.

4. The objective of this policy is to establish an effective and efficient IA function as mandated by the IOC, and that will provide independent, objective assurance and appropriate services designed to, among others, add value and improve WIPO's operations.

5. Principles of the Policy ensure the IA function assesses the Organization with regards to:

- (a) Effective governance structure in place;
- (b) Appropriate identification and management of risks;
- (c) Efficient design of, and effective functioning of internal control mechanisms;
- (d) Compliance with Regulations and Rules, and supporting procedures and guidelines;
- (e) Reliability and integrity of systems and tools to support operations and reporting;
- (f) Effective, efficient and economic use of resources to achieve strategic objectives;
and
- (g) Consistent achievement of organizational Expected Results as set within the WIPO Results Based Management (RBM) framework;

6. The IA function will provide recommendations that would generally improve efficiency and effectiveness of practices across the Organization.

7. An Audit Manual, and supporting guidelines and operating procedures have been developed to implement this Policy.

¹ Internal Oversight Charter, paragraph 28(b).

3. DEFINITION AND MISSION

8. In conformance with the definition of internal auditing adopted by the IIA, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

9. As defined in the introduction of the IOC, the mission of IOD is "to examine and evaluate, in an independent manner, WIPO's control and business systems and processes, and to provide recommendations for improvement, thus providing assurance and assistance to management and staff in the effective discharge of their responsibilities and the achievement of WIPO's expected results and strategic objectives."

10. The IA function in WIPO shall be carried out in conformance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics promulgated by the IIA and adopted by the Representatives of Internal Audit Services (RIAS) of the United Nations Organizations, Multilateral Financial Institutions and Associated Intergovernmental Organizations.

11. The ultimate goal of the IA function is to be relevant and to independently serve the Organization and its key stakeholders in the best possible way by contributing to the achievement of the Organization's strategic goals and Expected Results in a changing business environment.

4. ACCOUNTABILITY AND AUTHORITY

12. The Director, IOD reports administratively to the Director General but is not part of operational management. The Director, IOD enjoys functional and operational independence from Management in the conduct of his/her duties. In the exercise of his/her functions, the Director, IOD takes advice from the IAOC. He/she has the authority to initiate, carry out and report on any action, which he/she considers necessary to fulfil their mandate.

13. The Director, IOD and oversight staff shall be independent of all WIPO programs, operations and activities, to ensure impartiality and credibility of the work undertaken.

14. The Director, IOD and oversight staff shall conduct oversight work in a professional, impartial and unbiased manner and in accordance with good practice, standards and norms generally accepted and applied by the United Nations system organizations.

15. For the performance of his/her duties, the Director, IOD shall have unrestricted, unlimited, direct and prompt access to all WIPO records, officials or personnel, holding any WIPO contractual status, and to all the premises of WIPO. The Director, IOD shall have access to the Chairs of the General Assembly, the Coordination Committee, the Program and Budget Committee and the IAOC.

16. The Director, IOD shall respect the confidential nature of, and protect from unauthorized disclosure, any information gathered or received in the course of an internal audit, and shall use such information only in so far as it is necessary for the performance of his/her duties.

17. In the performance of their oversight work, the Director, IOD and oversight staff shall avoid perceived or actual conflicts of interest. The Director, IOD shall report any significant impairment to independence and objectivity, including conflicts of interest, for due consideration of the IAOC.

18. The Director, IOD shall liaise regularly with all other internal and external providers of assurance services to ensure the proper coordination of activities (External Auditor, Risk Officer, and Compliance Officer).

5. PROFESSIONALISM AND PROFICIENCY

19. The Director, IOD shall ensure that the IA function adheres to the IIA mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics*, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

20. In addition, the IA function will adhere to WIPO regulations, rules, policies procedures, and other related instructions, as well as abide by the Standards of Conduct for the International Civil Service.

21. The Director, IOD shall ensure that the IA function comprises staffs, appointed in accordance with WIPO Staff Regulations and Rules, which collectively possess the knowledge, skills and other competencies needed to effectively perform tasks and duties of the IA function.

22. The Director, IOD shall promote continuing professional development to meet the requirements of this Internal Oversight Charter. Staff members of the IA function must exercise, due professional care in carrying out their duties and tasks.

6. CODE OF ETHICS

23. The IA function of IOD shall adhere to the Code of Ethics of WIPO built on the Standards of Conduct for the International Civil Service, and the Code of Ethics promulgated by the IIA. The Code of Ethics states the principles and expectations governing the behavior of members of the IA function in the conduct of internal auditing. Internal auditors are expected to apply and uphold the following principles²:

(a) **Integrity** - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment;

(b) **Objectivity** - Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments;

(c) **Confidentiality** - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so; and

² IIA Code of Ethics: <https://na.theiia.org/standards-guidance/mandatory-guidance/pages/code-of-ethics.aspx>

- (d) **Competency** - Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

7. SERVICES AND TASKS OF THE INTERNAL AUDIT FUNCTION

24. To deliver on its Mission, the IA function will use a risk-based approach to develop strategic and operational plans, to provide the following core services:

25. **Assurance Services** – Review policies, procedures and operations, people, processes and systems, to assess adequacy, efficiency and effectiveness of, and compliance with, related control structures, so as to determine whether risks are appropriately managed.

26. In more detail, the following types of engagements shall be conducted:

(a) **Operational Audit** - An objective assessment of efficiency and effectiveness of governance, risk management, systems and controls designed to ensure objectives are met.

(b) **Performance Audit** - An independent examination of a program, function, operation or the management systems and procedures to assess whether the entity is utilizing resources in an efficient, effective, and economic manner.

(c) **Information Systems Audit** – Assessment of controls that govern the development, operation, maintenance, and security of application systems.

(d) **Compliance Audit** – Assessment of adherence to regulations and rules, policies and procedures.

(e) **Continuous Audit** - Real-time or near real-time tests of internal controls surrounding operations and transactions through the use of data analytics technology, in order to assess efficiency, effectiveness and compliance with applicable regulations, rules and procedures; and to flag any control weaknesses, which may lead to unintentional errors or omission or intentional wrongdoing

(f) **Combined Audit and Evaluation** – The IA function conducts combined performance engagements with the Evaluation function. An evaluation is a systematic, objective and impartial assessment of an on-going or completed project, program or policy, its design, implementation and results. The combined activity seeks to determine the relevance and fulfilment of objectives, efficiency, effectiveness, impact and sustainability. The result of a combined activity will contribute to assessing effective and efficient resource use, and learning and accountability.

(g) **Combined Audit and Integrity Review** – The IA function conducts combined audits and integrity reviews with the Investigation function as part of proactive investigations. A proactive investigation (or integrity review), is an examination of selected parts of the Organization's structure, assets, procedures and operations in order to identify risks or indicators of possible fraudulent, corrupt or abusive practice. The combined activity determines efficiency and effectiveness, while highlighting potential red flags for fraud and other abusive practices.

27. **Advisory/Consulting Services** –The term Consultancy is used when the IA functions takes the lead in providing a service whose nature and scope have been agreed with the client, and provides a formal deliverable in that regard. The term Advisory is used when the IA

function supports the client by providing advise, make comments, but does not take the lead in managing the activity or producing a formal deliverable.

28. According to the IOC, the Director, IOD may provide consulting and advisory services, the nature and scope of which are agreed with Management and which are intended to add value by improving WIPO's governance, risk management and control processes without IOD assuming management responsibility. Examples include counsel, benchmarking, assessments, facilitation, and training.

29. The Director, IOD may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement. To maintain independence and objectivity, the IA function should not undertake activities or take up roles such as:

- (a) Being accountable for risk management and internal controls, and setting the risk appetite;
- (b) Developing the risk management process and taking decisions on risk;
- (c) Managing assurance on risks and implementing risk responses;
- (d) Taking the lead in developing Regulations, Rules, Policies, Office Instructions, Procedures and Guidelines for WIPO Programs;
- (e) Sourcing and managing the implementation of systems, tools, and software applications for WIPO Programs;
- (f) Being responsible for recruitments on behalf of WIPO Programs; and
- (g) Developing frameworks for the Organization including for specific WIPO Programs.

30. As a systematic practice, Internal Audit, through the Director IOD, should seek advice from the IAOC for any consulting requests that may be perceived as a conflict of interest, or can potentially affect independence and objectivity of the Internal Audit function.

31. Within the context of IOD, the IA function should collaborate with other functions where required, in:

- (a) Reporting obligations to stakeholders including the IAOC;
- (b) Monitoring and reporting on the implementation of audit recommendations including those from External Auditors;
- (c) Managing the contracts with, and assessing the performance of outsourced/co-sourced service providers;
- (d) Managing the training program for Internal Audit staff members; and
- (e) Ensuring an effective continuous quality assurance and improvement program, including developing key performance indicators for the IA function.

8. AUDIT PROCESS: PLANNING, CONDUCTING AND REPORTING

32. The Director, IOD is responsible for developing a risk based biennial **Oversight Plan**, which outlines specific assignments to be performed over a two year period. The development of the plan includes a review of the Organization's risk assessment and key processes, and takes into consideration inputs from internal stakeholders, Member States, and the IAOC. The oversight plan is shared with the Director General, the IAOC, Senior Management, and External Auditors.

33. While each audit engagement may be particular, the audit process is similar for most engagements and usually consists of the following phases, conducted in conformance with the Standards for the Professional Practice of Internal Auditing.

34. **Audit Assignment Plan** - Internal Audit must develop an audit plan and program for each individual audit assignment, including the assignment's objectives, scope, timing, resource allocation and any relevant information such as possibility of fraud, significant error and non-compliance and other exposures. A preliminary risk assessment is also included in the audit assignment plan

35. The level of detail in audit assignment plans, procedures and documentation required are decided by the Director, IOD based on criteria that may include, *inter alia*, experience and expertise of the internal audit staff in the subject matter to be audited, complexity and scope, providers etc. The audit plans and programs are reviewed and approved by the Director, IOD prior to implementation.

36. **Notification** - Management should be given reasonable advance notification in written form, which should include the objectives, scope and methodology of the audit, and the time period during which the audit is to be performed. An opening meeting should be organized, to further discuss the objectives, scope and methodology outlined in the written notification.

37. **Field Work** - Internal auditors identify, analyze, evaluate and document sufficient information to satisfy the procedures set out in the work program which may be modified during the conduct of the audit fieldwork. Information gathered for the audit purposes need to be sufficient, reliable, relevant and useful³. Documentation and work papers of the audit engagement should be filed in the audit management system.

38. **Communication** - Internal auditors must communicate regularly with Management and staff of the audited unit, with a view to providing feedback on the preliminary audit observations and recommendations.

39. **Reporting** - Audit results are communicated to the management of audited area in the form of a draft report, and discussed during a closing meeting following the completion of audit fieldwork. This meeting is intended to clarify any findings which may need further explanation and help avoid any misperception or inaccurate conclusions.

40. **Management Response** - Management will receive the audit draft report and have ten working days to confirm findings and provide an action plan with assigned responsibilities and target implementation dates.

³ Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives of the engagement. Useful information helps the organization meet its goals.

41. **Final Report** - The Director, IOD will review and approve the final report, which will be issued to the Director General, and copied to Managers of the audited unit, the External Auditors, and the IAOC. One month after internal issuance of the report, the audit report will be published on the WIPO website. Any content that the Director, IOD considers as critical to safety and security of the Organization, will be omitted or redacted prior to publication; reasons for omissions or redactions will be documented and filed.

42. **Audit closure** - The audit engagement file will be quality reviewed in the audit management system, and recommendations and action plans released to the recommendation management module.

43. **Recommendations** - Internal Audit will monitor the status of recommendations through the recommendation management module, and subsequently perform any follow up verification of the effective implementation of recommendations.

44. Procedures for planning, executing and reporting on audits are specified in the Internal Audit Manual, and quality assurance is provided in all steps of the audit process, as per the Quality Assurance and Improvement Program of the IA function.

9. PURPOSE AND USE OF AUDIT RESULTS

45. Audit outputs/results can take the form of reports, memoranda, briefings and other forms of information exchanges. The most common form of communication audit results are through a report. An audit report is a formal document which summarizes work performed on an audit and reports ensuing findings and recommendations.

46. The audit report should be clear, concise, accurate, objective, impartial, constructive, and unbiased; including a fair minded and balanced assessment of all relevant facts and circumstances.

47. Recommendations made in audit report should add value to WIPO Programs by among others:

- (a) Providing a basis for improved governance and decision-making;
- (b) Contributing in promoting and ensuring clarity in roles and accountability;
- (c) Supporting the enhancement of internal controls, compliance and risk management;
and
- (d) Contributing to effective knowledge management and sharing.

10. REVIEW CLAUSE

48. The Policy will be reviewed as needed, preferably every three years from the date of its issuance.

[End of document]