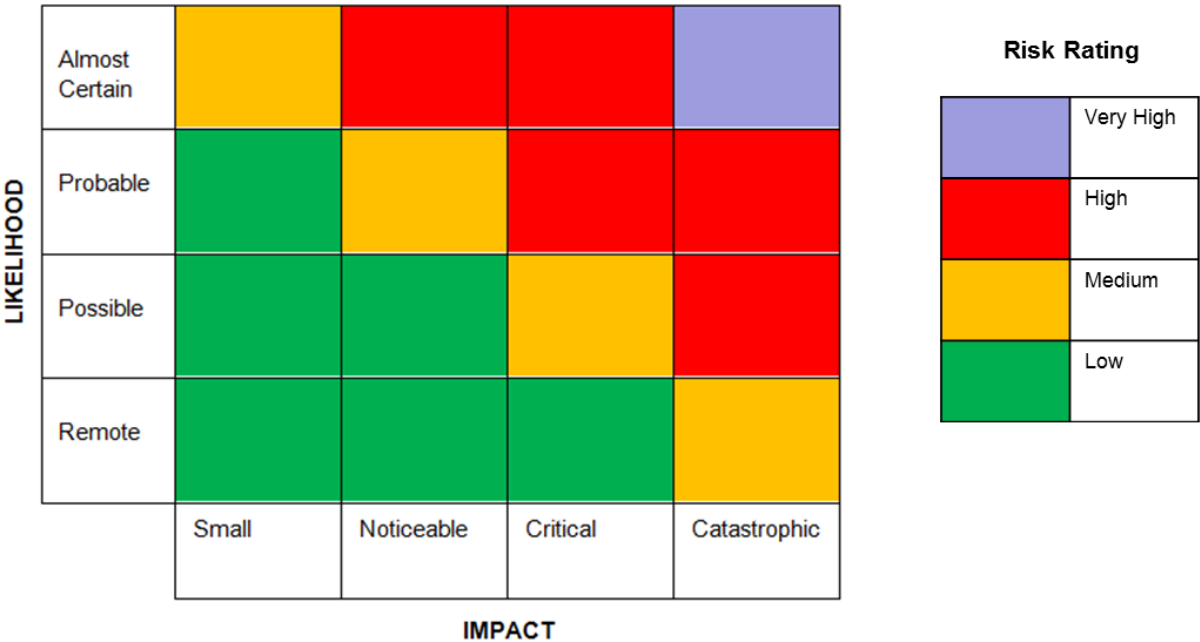


1. IOD RISK ASSESSMENT METHODOLOGY AND RESULTS

Risk: Is the effect of uncertainty of future events on the organization’s objectives. The components of risk can be further divided into likelihood and impact. Likelihood is the probability of occurrence of the future events and impact is defined as the degree to which the organization will be effected by the events if they occur.

WIPO programs identify their risks and assess them in terms of their likelihood and impact. This assessment is managed in WIPO’s ERM system (Accuity STREAM©) in the form of risk registers. IOD has incorporated management’s risk assessment to its TeamRisk® application using the risk rating scale in Diagram 1 below. Where necessary, IOD adjusted the wording of risks and risk rating assigned by management to the identified risks.

Diagram 1 – Rating scale for risks



In addition to the risks identified and assessed by management for each WIPO program/ unit/ business process, IOD uses several parameters (custom measures) to determine the residual risk score of each oversight entity/ area. Each parameter is determined by assigning the appropriate value in a defined range to a particular area in the oversight universe. The assigned value is then multiplied by a fixed weighting for each parameter.

The total residual risk score for each oversight entity/ area is based on a formula that combines the scores of individual risks assessed by management and the custom measures used by IOD. The table on the following page provides a list of the custom measures and the weightage assigned to each measure.

2. IOD CUSTOM MEASURES USED IN RISK ASSESSMENT

Measure	Possible Scores	Score Description	Weightage
Time Since Last Oversight Activity	1 2 3 4 5	Oversight activity in the last year Two years since last oversight activity Oversight activity in the last three years More than 3 years since last oversight activity Oversight activity never performed	4
Oversight Results	1 2 3	No Issues/recommendations of Significant/Critical Importance and Concern Some (less than 5) Issues/recommendations of Significant/Critical Importance and Concern Many (5 or more) Issues/ recommendations of Significant/Critical Importance and Concern	5
Inherent Risk of Function (Subjectively Assessed)	1 2 3 4	Low Medium High Very High	2
Recent Change in Business System/Process	1 2 3	Stable Minor Changes Major Changes	4
Change in Management	1 2 3	Stable Minor Changes Major Change(s) at Head of Department Level	2
Stakeholder / Audit Committee Concerns	1 2 3	No concerns about the area Minor Concerns Major Concern (or request for audit of area)	3
Historical Data on Fraud and Wrongdoing	0 1 2 3	No cases Wrongdoing Fraud Fraud and Wrongdoing	3
Financial Impact	1 2 3 4	Low Medium High Very High	5

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