World Intellectual Property Organization (WIPO)

Internal Audit – Investment Management

Report

21.11.2025

Building a better working world

Contents

01 Executive Summary

Objectives, Scope & Methodology

Objectives

- Review the appropriateness of the governance and oversight of WIPO's investment activities and processes.
- Provide an overall assessment of the design and effectiveness of WIPO's controls to manage Investment management risk across all key activities.

Scope

The onsite audit covered the Investment Management processes and controls. The following processes were in scope:

- Governance;
- Risk management and compliance with rules and regulations;
- Portfolio management;
- Performance measurement;
- Systems and tools.

Methodology

The following procedures were used as part of the internal audit fieldwork:

- Interviews with relevant stakeholders;
- Review and analyses of documents and records;
- Walkthroughs and test of controls;
- Data analytics;
- Sample analysis;
- Re-performance.

Fieldwork Period

September 22 – 10 October, 2025

Audited Period

January 01, 2024 – 10 October, 2025

Date of the Closing Meeting

November 20, 2025

Report date

November 20, 2025

Version

FINAL DRAFT

Engagement Conclusion

Engagement Conclusion: Satisfactory, Some improvement needed

Executive summary

Our review revealed 11 observations out of which 8 were rated as medium and 3 as low*. As a conclusion, it can be outlined that the assessed governance arrangements, risk management practices, and controls were established and functioning but need improvement over some areas highlighted below.

Special focus should be placed on the following:

- Governance & Roles: The governance framework needs to be updated with clearer investment objectives, risk definitions, diversification criteria, responsibilities, and escalation processes aligned with current market conditions. Training of staff involved in investment activities needs to be strengthened.
- Risk Management: Thresholds for Value at Risk (VaR) — an estimate of how much the portfolio could lose in a bad period — and for Credit Default Swaps (CDS) — a market measure of default risk—are not fully built into governance, and breach protocols are lacking.
- Performance Measurement: Benchmarks are not independently challenged and oversight of the external advisers and custodian needs to be strengthened. Portfolio underperformance lacks clear and quantified criteria and timelines for management.
- Access Rights: Excessive and overlapping authorizations in the Treasury Management System, insufficient segregation of duties and absence of regular reviews thus increasing the risk of unauthorized actions.

Audit ratings by key audit area	
Governance	Satisfactory, Some improvement needed
Risk management and compliance with rules and regulations	Satisfactory, Some improvement needed
Portfolio Management	Satisfactory
Performance measurements	Satisfactory, Some improvement needed
Systems and tools	Satisfactory, Some improvement needed

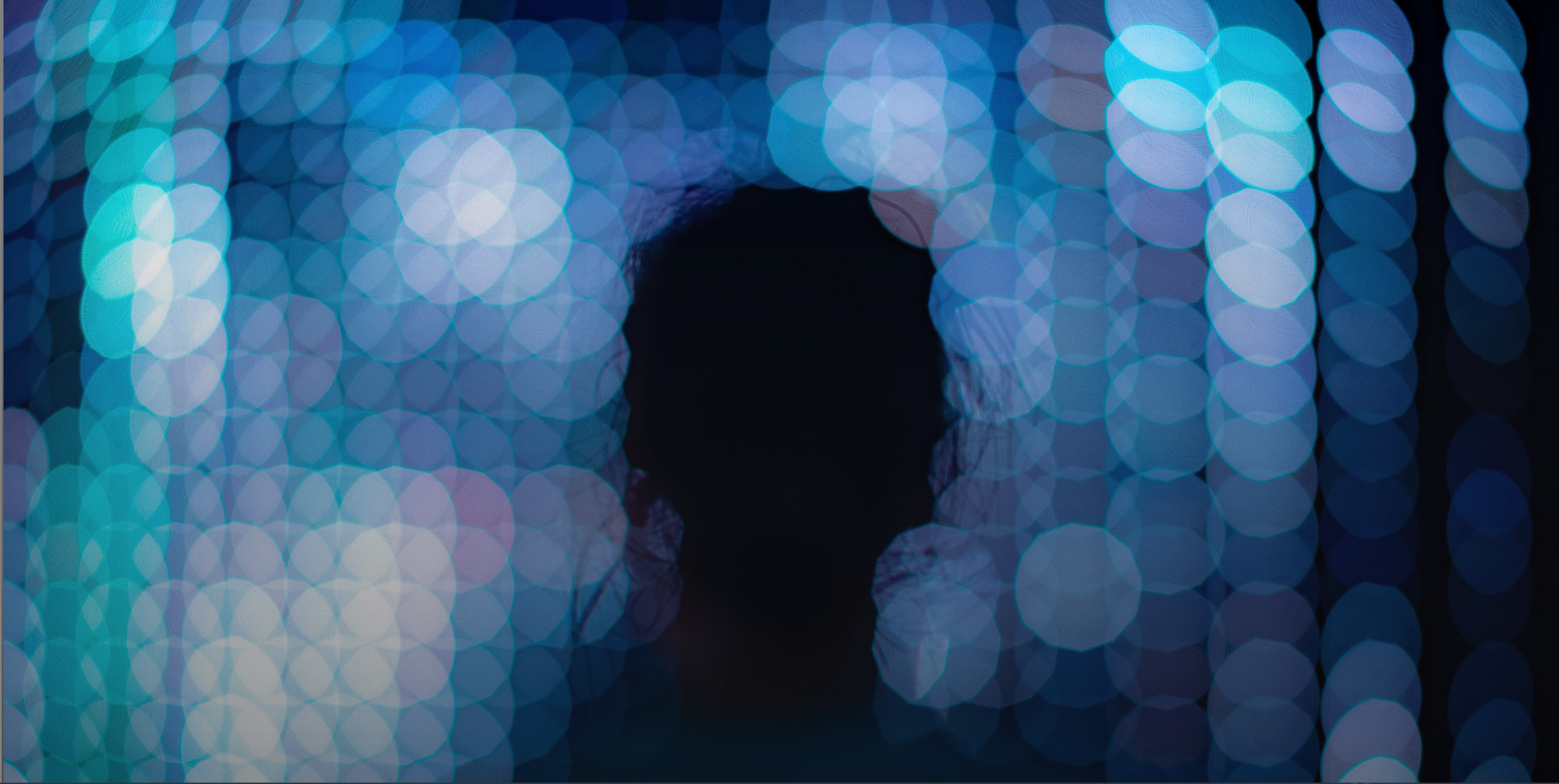
The following room for improvement have been identified:

- Regulatory Framework Consistency: Minor inconsistencies exist in risk appetite statements and references to credit rating agencies.
- Currency Risk Controls: Currency risk management is weakened by the absence of hedging requirements and incomplete monitoring. The documentation and validation of Foreign Exchange (FX) trades and supporting controls need refinement to enhance transparency and reduce operational risk.
- Portfolio Management: Sanitized for confidentiality purposes

It should be noted that the observations and recommendations are necessarily limited by the scope of the auditor's work and may therefore not cover all issues that might arise from specific in-depth review. As an exception-based report, observations and recommendations are given only for areas where improvement should be made.

Management and employees involved with the investment management process provided their full support to us throughout the audit project, and we would like to thank them for their good cooperation.

*Please refer to our risk scale in Appendix, p. 28.



02 Background Information

Overview of Investment Management at WIPO

Investment Regulatory Framework:

- The Investment Regulatory framework is composed of the following four main documents – in hierarchical order: the WIPO Financial Rules & Regulations (FRR); the Investment Policy; the Office Instruction N° 12/2021; and the Investment Guidelines.
- WIPO's investment policy sets three primary objectives, in order of importance: preservation of capital, maintenance of liquidity, and—within those constraints—achievement of a market rate of return.
- Net investment returns are allocated across WIPO's three distinct portfolios: Operating cash, Core, and Strategic.
- Operating cash is held to meet daily payment requirements and to ensure liquidity for target reserves. The Core portfolio is invested to generate positive returns over a rolling five-year period. The Strategic portfolio is dedicated to financing after-service employee benefit liabilities, with a long-term capital growth objective.

The investment process at WIPO:

- WIPO's investment portfolio is managed by the Treasury Section of the Finance Division of Administration, Finance and Management Sector, in line with the WIPO Policy on Investments, under the oversight of the WIPO Advisory Committee on Investments (ACI).
- The ACI reviews investment strategies, monitors performance, and advises on risk management and policy compliance.
- The Internal Oversight Division (IOD) provides WIPO Management with independent insights and analysis through audits, advisory services, evaluations, and investigations.

Portfolio Composition:

- In 2024, WIPO reported net investment gains of 73.7 million Swiss francs, up from 52.2 million in 2023.
- Returns were allocated as follows: Operating cash 3.8 million, Core portfolio 48.1 million, and Strategic portfolio 21.8 million Swiss francs.
- The Core portfolio's market value rose to 931.4 million Swiss francs, returning 6.1% in 2024. The investment objective of the fund is to return positive returns after costs, given an acceptable level of risk over a five-year rolling period. Within this scope, the portfolio had returned 1.9 per cent annualized.
- The Strategic portfolio reached 273.7 million Swiss francs, returned 9.0% in 2024. Annualized returns have been 2.9 percent since inception.

03 Table of Recommendations

Recommendations Overview

Nr	Title of Recommendations	Risk Rating
Governance		
1	Update the investment governance framework to address current weaknesses.	**Medium**
2	Strengthen the roles and responsibilities framework to ensure clarity and completeness.	**Medium**
3	Strengthen the training management process on investment management.	**Medium**
Risk management and compliance with rules and regulations		
4	Establish VaR models over strategic cash and enhance the VaR framework for operating and core cash.	**Medium**
5	Formalize CDS governance and integrate thresholds into investment policy and guidelines.	**Medium**
6	Resolve inconsistencies within the regulatory framework to strengthen existing principles.	**Low**
7	Strengthen the currency risk management regulatory framework and controls.	**Low**
Portfolio Management		
8	Sanitized for confidentiality purposes	**Low**
Performance measurements		
9	Independently review benchmark relevance and challenge mandate compliance of service providers on an ongoing basis.	**Medium**
10	Define clear criteria and timelines for managing portfolio's underperformance.	**Medium**
Systems and tools		
11	Revoke excessive access rights to the Treasury Management System and ensure segregation of duties.	**Medium**

04 Detailed Findings

Governance

1. Update the investment governance framework to address current weaknesses

Background	Finding	Risks	MEDIUM

The Investment Policy, approved by Member States during the Sept–Oct 2019 General Assembly, governs WIPO's investment framework.
This Policy was written in an economic context of negative interest rates. In August 2025, the Advisory Committee on Investments (ACI) decided to review the Investment Policy. The revision will start in December 2025.
The policy is complemented by the Investment Guidelines that were last approved in 2024.
Sec. C(18–20) defines the objectives—(i) capital preservation, (ii) liquidity, and (iii) return—and risk tolerances: "zero" for operating cash; "some" for core cash, especially under adverse market conditions (e.g., negative interest rates), with levels approved by the Director General based on ACI's advice.
Sec. C(21) states that operating cash balances equivalent to the target reserve level (25% of the bi-annual budget, i.e., 222.5 MCHF for the financial year 2024) are to be invested in low-risk asset classes with maturities not exceeding twelve months.
Sec. C(20) states that investments by external fund managers must comply with eligible asset classes (Sec. D) and exposures to subsidiaries/affiliates of the same institution must be aggregated.
Sec. B(8) states that the ACI is responsible for determining the asset allocation for both Operating Cash and Core Cash, with recommendations submitted to the Director General for approval.
	Our review of the Investment Policy and the Policy Guidelines highlighted the following:
	
	<u>Quantified investment objectives and risk definitions for operating and core cash are not defined in the governance framework</u>
	• Neither the Investment Policy nor the investment guidelines provide quantified objectives or risk parameters for operating and core cash. There is no framework governing and limiting the VaR, which in practice is monitored on a monthly and quarterly basis.
	• Terms such as "zero risk," "some risk," "long term," and "medium term" are used to describe the investment objectives and risk definitions without formal definitions or thresholds for these terms.
	
	<u>Lack of Explicit Definition for "Low-Risk" Asset Classes in the Investment Policy</u>
	The specific asset classes considered "low-risk" (e.g., time deposits, Swiss government bonds, AAA-rated money market funds) are not defined. Even if a separate table presenting the eligible assets per credit rating is available in the policy, there is no mention that these are the assets considered as « low risks ».
	
	<u>Unclear counterparty diversification limits and criteria for strategic cash</u>
	• Neither the Investment policy nor the investment guidelines specify quantitative diversification rules for the strategic cash portfolio, such as:
	  ◦ the maximum exposure per counterparty or banking group;
	  ◦ the minimum number of counterparties required to ensure adequate diversification; and
	  ◦ the limits by credit rating tier (e.g., AAA, AA, A) or by asset class (e.g., sovereign bonds, corporate bonds, funds).
	
	<u>Missing guidance over operating Cash asset allocation.</u>
	• There is no documented asset allocation framework, tactical bandwidth guidance, nor duration for Operating Cash, despite this being a requirement stated in the Investment Policy Sec. B(8). Indeed, the Investment Guidelines only specify asset allocation parameters and tactical bandwidths for Core Cash and Strategic Cash portfolios.
	
	<u>No revision of the Investment policy since 2019</u>
	• The Investment Policy has not been revised since 2019.
	• The policy contains outdated references. For example, paragraph 35 states that operating cash will be managed by reference to the 3-month Swiss Libor rate, a benchmark that was discontinued in 2021.
	
	This point is rated as medium based on our consideration of the following elements: the Investment Policy review was already underway before the audit, the revision process is lengthy and complex, and the Financial Rules and Regulations—updated in 2023—continue to prioritize risk minimization and capital preservation.
		• Non-quantified investment objectives and risk definitions hinders alignment with WIPO's financial strategy, weakens Asset Liability Management (ALM), and increases risks of suboptimal portfolio. In addition, it entails inadequate performance oversight, inefficient cash use, limited accountability and unintended exposures.
		• Missing asset classification and liquidity criteria increase risks of illiquidity and cash misalignment, while reducing transparency and weakening ALM compliance.
		• Incomplete diversification thresholds heighten concentration risk, especially in volatile or cash-stressed markets.
		• Lack of documented asset allocation guidance for Operating Cash creates a gap between policy intent and operational execution. This may lead to inconsistent investment decisions, reduced transparency, and limited oversight.
		• Investment Policy not being up-to-date reduces its relevance and may lead to poor performance measurement and investment decisions.	

Governance

1. Update the investment governance framework to address current weaknesses

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
Management is aware of some inconsistencies carried into the Investment Policy. Facing the complexity and length of the revision process, this update has only be approved in August 2025 by the ACI.	1.1 As part of WIPO's upcoming review of the Investment Policy and Guidelines, ensure that key principles are defined in the Policy and parameters that need to be regularly reviewed are part of the guidelines to allow for a dynamic approach in line with markets constraints. Update outdated references. Define a policy and guidelines maintenance calendar. For the Guidelines, consider including a change log and version control.	Update Investment Policy	For Investment Policy - Outdated references are updated and maintenance calendar for the policy is introduced. For Investment Guidelines - Maintenance calendar, change log and version control is introduced and adopted in the Investment Guidelines.	Paradzai Nematadzira Seong Joon Chen	01.07.2026
	1.2 Define quantitative investment objectives for operating and core cash (e.g. operating cash: maintain a liquidity coverage ratio of ≥110% of forecasted 5-day outflows; generate excess returns of 15 basis points over the benchmark per annum, net of fees. Core cash: Target annual return ≥ SARON + 0.5%; limit monthly drawdown to ≤2%; maintain portfolio duration between 1–3 years.)	Update Investment Guidelines	Quantitative investment objective for Operating Cash and Core portfolio is defined in the Investment Guidelines.		01.12.2025
	1.3 Formalize risk tolerance levels using measurable indicators (e.g., maximum Value-at-Risk, credit rating floors, asset class limits) and clarify time horizon terminology.		Risk tolerance levels using VaR is established are included in the Investment Guidelines. A glossary of important concepts (including VaR) is included in the Investment Guidelines.		
	1.4 Define clear criteria for asset class eligibility (e.g., time deposits, sovereign bonds) and liquidity metrics (e.g., settlement period, bid-ask spread).		Criteria for asset class is established and included in the Investment Guidelines. A glossary of important concepts (including eligibility and liquidity) are included in the Investment Guidelines.		
The Policy was written in a context where: (i): WIPO's operating and core cash had been placed for a long time with the Swiss National Bank; and (ii): the funds were expected to be actively managed by an external fund manager.	1.5 Define quantitative counterparty limits (e.g. Max. 10% exposure per counterparty and 20% per banking group, min. 5 counterparties across the Strategic Portfolio), establish limits by credit rating tier (e.g. AAA-rated counterparties: up to 20% of total Strategic Cash, AA-rated: up to 15%, etc.) and set limits by asset class, ensuring no single asset class exceeds a defined proportion of the portfolio (e.g., no more than 30% in corporate bonds).		Counterparty limits for Strategic portfolio is defined in the Policy on Investments (to be consistent with Operating and Core portfolio).		
Management decision to not define asset allocation for Operating Cash.	1.6 Bridge the gap between Investment Policy intent and operational execution of Operating Cash asset allocation to realign them.		Asset allocation for Operating Cash shall be defined in the Investment Guidelines (as per Core and Strategic portfolio).		

Governance

2. Strengthen the roles and responsibilities framework to ensure clarity and completeness

Background	Finding	Risk	MEDIUM

Roles and responsibilities around the investment management process are defined within – by hierarchical order:
(i) the WIPO Financial Rules & Regulations (FRR);
(ii) the Investment Policy;
(iii) the Office Instruction N° 12/2021; and
(iv) the Investment Guidelines.
This hierarchical order must be respected in case of inconsistencies between the documents.
Roles and responsibilities are further refined in documents such as:
- Administrative Designations Report;
- Programmatic Designations Report;
- List of WIPO and UPOV Officers Authorized to Sign and Send Instructions to UNDP;
- Individual's job descriptions; and
- Individual performance objectives (Performance Management and Staff Development (PMSD) Planning).
In matters of escalation process, the Investment guidelines state that if Sections D – (investment restrictions), E – (compliance with UN Responsible Investment Statement), and F (guidance breach) are breached, the Treasurer shall notify the ACI.
	Our review of the regulatory framework defining roles and responsibilities within the investment management process highlighted the following:
	
	<u>Absence of approved RACI matrix (Responsible, Accountable, Consulted, Informed)</u>
	• No approved RACI currently exists and is implemented. A provisional RACI matrix was produced during the audit fieldwork.
	• Some approval processes are not documented. For example, the Senior Finance Officer seeks approval from the Finance Director for investing operating cash into deposits and will seek approval from the Treasurer for foreign exchange transactions. These approval flows and delegated authorities are not formally documented.
	• The Controller carries both the accountability for managing investments (FRR 104.10; Investment Policy Sec. B(10)) and an advisory role as an ACI member (Investment Policy Sec. B(8)).
	
	<u>Weaknesses within the definition of the escalation process in case of Policy/Guidelines compliance breach</u>
	• The escalation process mentions no accountable body (Controller, Director General) to be informed of the compliance breach. In practice, hierarchical reporting is followed.
	• No timelines for informing the ACI/accountable bodies nor defining corrective actions (if applicable) are stated in case of compliance breach.
	• As per current phrasing, the escalation process is limited to section D, E, and F of the guidelines.
	  • Breaches in Sec. C (Core, Strategic and Operating Cash) of the guidelines also require escalation but they are not referred to.
	  • No mention of escalation process is made in case of breaches of the Investment Policy itself.
	
	<u>Inconsistent definition of responsibilities for establishing and reviewing the investment regulatory framework</u>
	• According to FRR 103.29 and the Investment Policy, the Controller is responsible for defining and reviewing the Investment Guidelines, while the ACI holds an advisory role. However, under the Investment Guidelines and the Office Instruction No. 12/2021, the ACI is responsible for reviewing and updating the policy.
	
	Our review of four 2025 performance plans (one ACI member, three Treasury Team) highlighted the following:
	
	<u>No mention of the investment management role in the ACI member's objectives</u>
	• No objectives related to investment management or ACI membership in the 2025 PMSDS planning of the ACI member.
		• Absence of a formally approved and operationalized RACI matrix, as well as framework inconsistencies, may lead to governance gaps, inaccurate decision-making, and reduced accountability. From an Asset Liquidity Management (ALM) perspective, unclear roles can also hinder timely and coordinated responses to liquidity/market stress events.
		• Weaknesses in the definition of the escalation process may lead to delayed or inconsistent corrective actions, reduced accountability, and potential misalignment with WIPO's liquidity and risk management objectives.	

Governance

2. Strengthen the roles and responsibilities framework to ensure clarity and completeness

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
The roles and responsibilities framework for investment management lacks clarity and consistency due to incomplete implementation of a RACI matrix and insufficient formalization of key processes. Documentation is overly complex and fragmented, making it difficult to operationalize responsibilities across teams and ensure compliance with governance requirements.	2.1 Simplify and streamline the documentation of the role and responsibilities. Include defined thresholds and approval levels. To do so, consider defining and approving a comprehensive RACI matrix to document the delegation of authority and clarify the roles and responsibilities of each stakeholder within the investment management process.	Update Investment Guidelines	The established roles and responsibilities, including established thresholds and approval levels is updated in the Investment Guidelines.	Paradzai Nematadzira Seong Joon Chen	01.12.2025
	2.2 As part of your review of the regulatory framework (cf. Finding 1), resolve consistency issues.		The established roles and responsibilities, including established thresholds and approval levels is updated in the Investment Guidelines.		
	2.3 Define a process for informing accountable bodies of the Policy/Guidelines compliance breach. Define clear timelines for informing the ACI/accountable bodies and undertaking corrective actions. Ensure that the escalation process covers all required sections of both the Policy and the Guidelines.		Timeline for escalation to stakeholders (Controller, ACI, Director General) is established in the Policy on Investments, Investment Guidelines and Treasury Manual. A procedure to document "action taken" is established.		

Governance

3. Strengthen training management process on investment management

Background	Finding	Risk: MEDIUM
Continuous training is essential for keeping-up to date with latest best practices, products, and services, adapting to technological change, and ensuring compliance with market regulation(s) and legal requirements. At WIPO, each department shall document a Learning Matrix defining trainings expected to be followed as part of the Onboarding process, to equip the staff with detailed knowledge and skills needed for the job, to update/upgrade the skills needed by evolving business need, and to equip the staff with forward-looking skills. Individual training needs are identified on an annual basis as part of the PMSD Cycle. As per the World Bank Treasury recommendations outlined in the 2023 peer review of the institution's asset management practices, a training program must be carefully designed to enhance the skills of all staff involved in investment management operations. WIPO's Senior Finance Officers are therefore enrolled in a Risk Management Professional Certificate beginning on the 17th of November 2025.	Our sample review of the trainings performed by the Treasury team and the ACI members and related PMSDs over the audit period from 01 January 2024 to 10 October 2025 highlighted the following: **Insufficient investment-related training for the Treasury team and ACI members** • No evidence of investment-related trainings for the sampled ACI member could be retrieved. • Lack of identification and documentation of investment-related training needs as part of the PMSDs cycle for both ACI members and Treasury team members. 2 out of the 4 members of the Treasury team nevertheless attended an investment-related training over the audit period. Our review of the current Administration, Finance and Management Sector (AFMS) Learning Matrix highlighted the following: **Insufficient specialized training on investment management as part of the AFMS Learning Matrix** • Specialized training focusing on investment management are not part of the department's plan to equip the staff and/or update/upgrade their skills. Only two investment-related trainings (financial accounting, risk management and internal control) are to be noted.	• Insufficient specialized training may lead to WIPO staff involved in investment management, including ACI members, lacking the necessary skills to achieve WIPO investment objectives, experiencing inefficiencies within the investment management process internal control system, and overlooking new financial market regulations or technical opportunities.

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
Management decision to prioritize training to enhance risk management capabilities and expertise, as identified by the World Bank peer review, with the appointment of a middle office risk management staff (senior Finance Officer) in May 2025.	3.1 Set up a process for regularly (e.g. annually) assessing strategic training needs for all staff involved in investment management, including ACI members. Define a training plan accordingly and monitor timely training completion.	Training & Continuous Development in Technical Expertise	Continuous development and technical training requirements for Treasury Section is established in PMSDS and reviewed for completion annually. Continuous technical training for ACI members is established and completed annually. Training is included in minutes.	Paradzai Nematadzira Seong Joon Chen	01.12.2025

Risk management and compliance with rules and regulations

4. Establish VaR models over strategic cash and enhance the VaR framework for operating and core cash

Background	Finding	Risks: MEDIUM

Investment activities are governed by the Investment Policy and Investment Guidelines, which outline the roles of the ACI, the Treasury, and external advisors. Risk oversight is supported by the Risk Management Group (RMG), which issues quarterly reports containing Key Risk Indicators (KRIs) to monitor market, credit, and liquidity risks.
 	
Two key tools used in risk monitoring are: Value-at-Risk (VaR) and Conditional Value-at-Risk (CVar): These statistical measures estimate potential portfolio losses under adverse market conditions.
• CVar thresholds are defined in RMG reports but are not formally embedded in governance documents.
• Credit Default Swaps (CDS): CDS spreads are used to assess counterparty credit risk. Monitoring is performed weekly.
	Our review of the risk management practices for investment portfolios identified the following:
	
	Limitations in VaR methodology and credit risk controls for operating and core cash
	• As part of our review, we examined quarterly reports issued by the RMG, which include KRIs for investment risk monitoring. Specifically, KRI 5 – Conditional Value-at-Risk (CVar) sets thresholds of > -9.3% for Core Cash and > -11.8% for Strategic Cash portfolios. These thresholds are used to assess potential losses under adverse market conditions and are a key component of operational risk oversight.
	• However, we noted that these thresholds are not formally documented in WIPO's Investment Policy or Investment Guidelines, which govern the strategic and procedural aspects of investment management. This creates a disconnect between operational risk monitoring and formal governance, potentially limiting the enforceability and clarity of escalation procedures.
	• Moreover, there is no documented breach management framework specifying:
	  ◦ Who should be informed in the event of a breach (e.g., ACI, Senior Finance Officer, Risk Management Group),
	  ◦ When and how the breach should be escalated,
	  ◦ How much time is allowed to assess and respond to the breach,
	  ◦ And whether "no action" is a valid and documented response under certain conditions.
	• The absence of these governance elements may result in inconsistent or delayed mitigation efforts, reducing the effectiveness of investment oversight and risk control.
	• Additionally, while the RMG report includes CVar thresholds, it does not specify the underlying VaR methodology (e.g., parametric, historical simulation, Monte Carlo), confidence levels, or holding periods. These omissions reduce transparency and comparability across portfolios and may hinder effective communication with stakeholders.
		• Reduced effectiveness of risk oversight: Without formal integration of CVar thresholds into the Investment Policy or Guidelines, there is no binding framework to ensure consistent monitoring and escalation.
		• Delayed or inconsistent responses: The absence of a breach management protocol may result in ad hoc or delayed reactions to risk threshold breaches, potentially exposing WIPO to avoidable financial losses.
		• Inadequate risk communication: The lack of disclosure around VaR methodology, confidence levels, and holding periods reduces comparability and may hinder stakeholder understanding of risk exposures.
		• Regulatory and reputational exposure: Weak documentation and governance around risk thresholds and breach handling may be viewed unfavorably by oversight bodies or external stakeholders.

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
The investment risk oversight framework lacks formal integration between operational monitoring practices and governance documentation. Key risk thresholds (e.g., CVaR) and breach management protocols are not embedded in the Investment Policy or Guidelines, resulting in unclear escalation procedures, limited enforceability, and reduced transparency in risk methodology. This weakens the consistency and effectiveness of investment risk control.	4.1 Integrate the CVar thresholds defined in the RMG report (Core: -9.3%, Strategic: -11.8%) into the Investment Policy and Guidelines to ensure alignment between operational monitoring and governance.	Update Investment Guidelines	Update and report established CVaR from RMG in the Investment Guidelines.	Paradzai Nematadzira Seong Joon Chen	01.12.2025
	4.2 Establish clear breach management procedures that define who should be informed, when escalation should occur, how long stakeholders have to respond, and under what conditions "no action" is considered a valid and documented response.		Timeline for escalation to stakeholders (Controller, ACI, Director General) is established in the Policy on Investments, Investment Guidelines and Treasury Manual. A procedure to document "action taken" is established.		
	4.3 Disclose the VaR model type, confidence level, and holding period to improve transparency and comparability.		VaR model is disclosed in the RMG document (Nov 25) and Investment Guidelines.		

5. Formalize CDS governance and integrate thresholds into investment policy and guidelines

Background	Finding	Risks	MEDIUM

Investment activities are governed by the Investment Policy and Investment Guidelines, which outline the roles of the ACI, Treasury department, and external advisors. Risk oversight is supported by the RMG, which issues quarterly reports containing KRIs to monitor market, credit, and liquidity risks.
 	
Two key tools used in risk monitoring are: Value-at-Risk (VaR) and Conditional Value-at-Risk (CVar): These statistical measures estimate potential portfolio losses under adverse market conditions.
• CVar thresholds are defined in RMG reports but are not formally embedded in governance documents.
• Credit Default Swaps (CDS): CDS spreads are used to assess counterparty credit risk. Monitoring is performed weekly
	Our review of the risk management practices for investment portfolios identified the following:
	
	Lack of documented CDS governance framework and escalation protocols
	• As part of our review, we examined WIPO's practices for monitoring credit risk through CDS, which serve as market-based indicators of counterparty creditworthiness. CDS levels are monitored weekly by the Senior Finance Officer and reviewed at the time of each investment decision. Updates are shared via email, and formal reporting occurs on a quarterly basis.
	• We noted that the Investment Risk Report includes a comparison of CDS levels with the prior period, which provides some visibility into trends. Nevertheless, several governance and procedural gaps were identified:
	• CDS levels are assessed primarily based on absolute thresholds (e.g., less than 200 basis points), with limited analysis of movements or volatility over time. This may reduce sensitivity to early warning signals of deteriorating credit conditions.
	• There is no documented action plan specifying what steps should be taken in the event of a CDS deterioration or breach of the informal threshold.
	• There is no defined governance framework for breach management, including:
	  ◦ Who should be informed (e.g., Advisory Committee on Investments, Risk Management Group, Treasury),
	  ◦ When and how the breach should be escalated,
	  ◦ How much time is allowed to assess and respond to the breach,
	  ◦ And whether no action is a valid and documented response under certain conditions.
	• The absence of these elements may lead to inconsistent or delayed responses to emerging credit risks and limits the effectiveness of CDS as a proactive risk management tool.
		• Delayed response to credit deterioration: Without a documented action plan or escalation protocol, WIPO may not react promptly to rising CDS spreads, increasing exposure to counterparty risk.
		• Inconsistent decision-making: The absence of formal criteria and timelines may lead to ad hoc or subjective responses, reducing the reliability of credit risk management.
		• Reduced effectiveness of CDS as a risk tool: Focusing only on absolute levels without analyzing movements or trends may cause early warning signals to be missed.	

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
The credit risk monitoring framework lacks a formalized governance structure for CDS. Thresholds are not defined in the Investment Policy or Guidelines, and there is no documented escalation protocol or breach management process. This absence of clear roles, responsibilities, and response timelines across departments undermines the effectiveness of CDS as a proactive tool for identifying and mitigating counterparty credit risk.	5.1 Include CDS thresholds in the Investment Policy and/or Guidelines to ensure consistency between operational monitoring and formal governance.	Update Investment Guidelines	CDS thresholds is included in the Investment Guidelines.	Paradzai Nematadzira	01.12.2025
	5.2 Establish a formal CDS governance framework that defines thresholds, escalation procedures, and timelines for response.		Timeline for escalation to stakeholders (Controller, ACI, Director General) is established in the Policy on Investments, Investment Guidelines and Treasury Manual. A procedure to document "action taken" is established.	Seong Joon Chen	
	5.3 Enhance CDS analysis by incorporating movement-based indicators (e.g., weekly or monthly changes) to improve early detection of credit deterioration.	Update Treasury Manual	Reporting of weekly CDS levels is included in the counterparty limit report issued weekly.		

Risk management and compliance with rules and regulations

6. Resolve inconsistencies within the regulatory framework to strengthen existing principles

Background	Finding	Risks	LOW
Rule 103.29 of the FRR states that the Controller is responsible for establishing investment guidelines with a primary emphasis on minimizing risk to principal amounts, while ensuring adequate liquidity to meet cash flow requirements. As per the Enterprise Risk Management (ERM) risk appetite statement, the appetite level "low" concerns areas in which WIPO avoids risks or acts to minimize or eliminate the likelihood that the risk will occur. "Medium" concerns areas in which WIPO must constantly strike a balance between the potential upside benefits and potential downside costs or negative impact.	Our review of the documents composing the regulatory framework for investment management identified the following: **<u>Opportunity to improve alignment between FFR investment principles and ERM risk appetite statement</u>** • WIPO's risk appetite statement sets investment risk appetite at "medium", whereas FFR (103.29) prioritizes risk minimization and capital preservation. A "medium" classification may suggest tolerance for losses or volatility, which conflicts with a strategy focused on caution and security. **<u>Opportunity to improve inconsistency in definition of approved credit rating agencies</u>** • Fitch ratings are inconsistently referred to in the Investment Policy. Sec F states that WIPO relies on approved credit rating agencies, Moody's, Standard & Poor's, and Fitch IBCA, to determine the creditworthiness of investments. However, Sec. D (30), which outlines the eligible asset classes and their corresponding minimum credit ratings, only refers to Moody's and Standard & Poor's ratings – Fitch ratings are not mentioned.	• Misalignment between regulatory principles and stated risk appetite may lead to investment decisions that expose the organization to higher-than-intended risk levels. • Inconsistent application of credit rating sources may cause confusion or misalignment in credit risk assessments, potentially excluding otherwise eligible investments rated by Fitch.	

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
As per the ERM risk rating, the potential financial losses inherent to investing activities trigger a "medium" appetite target zone.	6.1 Enhance the ERM Risk Appetite Statement by linking impact severity with frequency and time horizon to account for the nature of investing activities while ensuring consistency within the regulatory framework.	Update Investment Guidelines	Elements of ERM Risk Appetite Statement related to WIPO's investment activities (highlighting severity, frequency, time horizon) are referenced and included in the Investment Guidelines	Paradzai Nematadzira Seong Joon Chen	01.12.2025
Unspotted misalignment.	6.2 Align the credit rating references throughout the Investment Policy (or Guidelines) to consistently reflect the use of all approved agencies.		Credit rating reference is updated in Operating, Core and Strategic portfolio in the Investment Guidelines.		

Risk management and compliance with rules and regulations

7. Strengthen the currency risk management regulatory framework and controls

Background	Finding	Risks	LOW
As per the Investment Policy (Sec. C(22)), external fund managers decide on hedging for non-Swiss franc investments in line with guidelines. Those guidelines (para. 8) refer to hedging as "permissible up to 90%" of foreign currency exposure. The policy also sets a single counterparty exposure limit, aggregating across parent entities and subsidiaries. At WIPO, investments in foreign currency subject to hedging represent 12 MCHF in EUR and 110 MCHF in USD. FX trades are executed by the Senior Finance Officer via a trading platform, which displays live bid/ask prices from multiple counterparties and automatically captures trades in the Treasury Management System. WIPO performs monthly FX valuations using two methods: A manual Excel-based calculation, using as spot rate the United Nations (UN) Operation Rate manually combined with forward points sourced from the data provider LSCG Refinitiv Eikon, and a system-based calculation.	Our review of the currency risk management practices for investment portfolios identified the following: **<u>Absence of FX hedging requirements inconsistent with capital preservation objectives</u>** • The Investment Guidelines defines hedging as "permissible" up to 90% of foreign currency exposure. The absence of hedging requirements - and the potential low level of hedging - would create significant risks, which is inconsistent with WIPO's investment principles that prioritize capital preservation and risk minimization. **<u>FX trades not included in the counterparty credit limit monitoring</u>** • FX trades are excluded from counterparty credit limit checks in the risk report. There is no defined notional limit per counterparty for FX transactions, and FX exposures are not aggregated with other financial instruments. **<u>Absence of exception report ensuring FX trade completeness</u>** • No exception report confirms on a daily basis that all trades executed on the trading platform are successfully captured in the Treasury Management System in order to review whether there was no transmission failures or omissions. **<u>Lack of documented evidence supporting best execution in FX trades</u>** • No retention of evidence that the selected counterparty offered the best available price at the time of execution. This is particularly relevant when the best-priced counterparty cannot be selected due to internal exposure/counterparty limits. **<u>Control weaknesses over FX derivatives valuation process and reconciliation</u>** • No threshold defined by WIPO for acceptable variance. These differences are tracked only in absolute terms at portfolio level with escalation criteria. • Manual extraction and input process of forward points from Refinitiv Eikon into the manual Excel-based calculation being prone to errors/misstatements.	• The absence of hedging requirements may lead to discretionary or inconsistent hedging, exposing portfolios to FX losses, undermining capital preservation, and increasing return volatility. • Excluding FX trades from counterparty monitoring increases concentration risk and weakens credit risk controls. • Unnoticed failed or partial trade transmissions may cause inaccurate reporting or unrecorded exposures. • Lack of transparency over compliance with FX competitive bidding rules represent a weakness of internal control and undermine transparency and prevent the identification of policy breach. • Control weaknesses over valuation inputs and reconciliation thresholds heightens risk of errors and misstatements.	

Risk management and compliance with rules and regulations

7. Strengthen the currency risk management regulatory framework and controls

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
Management decision to allow the hedging of currency exposure up to a hedge ratio of 90%.	7.1 Define minimal hedging requirements in order to limit volatility and potential FX losses.	Update Investment Guidelines	Minimum hedging requirements for investments related to Operating cash, Core and Strategic portfolio is established and reported in the Investment Guidelines.	Paradzai Nematadzira	01.12.2025
Forecasting processes are not sufficiently designed to align operating cash levels with predictable short-term liquidity needs, leading to temporary reserve breaches and inefficient cash management.	7.2 Add FX trades to counterparty risk monitoring, track notional and mark-to-market exposures, and set thresholds. Aggregate exposures across all instruments and entities.	Update Treasury Manual	Mark-to-Market valuation is included in the calculation of credit exposure in the Counterparty Risk Exposure report issued weekly.	Seong Joon Chen	
	7.3 Implement a reconciliation between the trading platform and the Treasury Management System to confirm all trades are captured. Consider generating automated alert for failed transmission.		A process workflow for the reconciliation of currency transactions performed on the trading platform and reported in the Treasury Management System is established. A review with Finance Director is performed monthly.		
	7.4 Require traders to save evidence of counterparty offers. Make this mandatory when the best-priced counterparty is not chosen.		A process workflow for the transaction execution and customer savings is established and reviewed by the Finance Director monthly.		
	7.5 Define variance thresholds and escalation rules for reconciliation differences. Validate UN Operational FX rates. Consider implementing an automated feed from Refinitiv Eikon to the Excel-based valuation model.		FX valuation threshold is established and reported in the Investment Guidelines. A process to validate the UN Operational FX rates to be uploaded in the Treasury Management System and WIPO ERP is established (twice monthly) - Visio #3.		

8. Sanitized for confidentiality purposes

Sanitized for confidentiality purposes

8. Sanitized for confidentiality purposes

Sanitized for confidentiality purposes

Performance Measurement

9. Independently review benchmark relevance and challenge mandate compliance of service providers on an ongoing basis

Background

As per the Investment Policy Sec. B (8) the ACI is responsible for:

- Advising the Director General on investment strategy, asset allocation, benchmarks, and guidelines.
- Setting strategy for Core and Strategic portfolios, including allocation ranges and performance indices (benchmarks).
- Ensuring fund managers comply with contracts via quarterly Treasurer reports (performance vs. benchmarks, risk metrics).
- Conducting quarterly strategy reviews, meeting regularly with fund managers and service providers, and ensuring compliance with custody agreements, service level agreements (SLA), and custodian KPIs.

Sect. F (36) requires each investment portfolio to have a performance benchmark that are: (i) unambiguous, transparent and simple; (ii) investable and replicable; (iii) measurable and stable; (iv) appropriate to the investment purpose; and (v) specified in advance.

Review meetings with the custodian and the main investment advisor are scheduled for November 2025. A supplier evaluation framework is defined by Procurement.

Finding

Our review of the performance management, supplier performance evaluation, and reporting process highlighted the following:

Lack of independent challenge to benchmarks proposed by external advisors

- During the review of committee documentation, it was noted that benchmarks used for performance measurement were primarily proposed by the external investment advisor, with no documented evidence of independent challenge or validation by the ACI on a regular quarterly basis. Quarterly Committee minutes did not reflect formal discussion or approval of benchmark selection. This creates a potential conflict of interest, as the external advisor is both proposing the benchmark and reporting performance against it.

No formal mechanism to reassess benchmark appropriateness post-inception

- While the external advisor performs quarterly performance assessments, there is no documented evidence that the ACI or other stakeholders regularly assess whether the benchmarks used continue to meet these criteria (after inception).
- In practice, WIPO, under external advice, uses benchmarks such as S&P Leverage Loan for the Core Cash portfolio, SIX Real Estate Funds Broad for the Strategic Cash portfolio. However, there is no clear documentation of a structured process to evaluate whether these benchmarks are the most relevant and accurate for performance measurement purposes considering WIPO's activities and portfolio composition.

Absence of documented review for investment mandate compliance

- The Treasurer's quarterly reports do not consistently include performance and risk statistics from the custodian to support ACI oversight.
- There is no evidence of supplier evaluation of the custodian and service provider being conducted or recorded over the audit period. The last one was performed in 2022 for the custodian.

Risk: MEDIUM

- The absence of an independent challenge process may lead to biased or misaligned benchmarks, reducing the objectivity and reliability of performance assessments. This could compromise transparency and accountability in investment oversight.
- Without periodic validation of benchmark relevance, WIPO may rely on outdated or misaligned benchmarks, potentially leading to inaccurate performance evaluations, reduced transparency, and misinformed investment decisions.
- The absence of documented review for investment mandate compliance increases the risk of undetected mandate breaches, misaligned portfolio strategies, and inadequate evidence of oversight during external reviews.

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
There is no formal process within the ACI to independently review, or challenge benchmarks proposed by external advisors, leading to insufficient oversight and documentation of benchmark relevance over time.	9.1 Establish a formal process within the ACI to review, challenge, and approve benchmarks proposed by external advisors. 9.2 Establish internal validation mechanism to assess the appropriateness of benchmarks used for performance measurement. This process should include documented assessments against the five criteria outlined in the Investment Policy and involve relevant stakeholders such as ACI and the external advisor. 9.3 Document benchmark discussions and decisions in ACI meeting minutes to ensure transparency and traceability.	Update Investment Guidelines	A review of the benchmarks used for performance measurement of investments is included in the annual calendar of the ACI. The criteria for internal validation of benchmark is established and documented in the Investment Guidelines. In addition to the minutes reflecting discussion on WIPO portfolio results (which includes comparing actual versus benchmark) during every ACI meeting, the meeting minutes shall highlight the continuing appropriateness of the benchmark given the implemented strategic asset allocation.	Paradzai Nematadzira Seong Joon Chen	01.12.2025
The evaluations of the external advisor and the custodian were postponed to November 2025.	9.4 Timely perform reviews of the investment advisors and custodian. Consider strengthening the ACI oversight framework, including delegation of oversight, scope, frequency, and reporting lines.				

Performance Measurement

10. Define clear criteria and timelines for managing portfolio's underperformance

Background	Finding	Risk	MEDIUM
The Investment Policy (Sec. F (39)) states that the overall portfolio and benchmark performance in Swiss francs shall be reported to the ACI on a quarterly basis. It further specifies that if one or more external fund managers show significantly poor performance for three or more months, or if a sudden change in performance trend is observed, the Fund Manager must be contacted and provide a written explanation. If underperformance persists, the ACI is expected to take corrective action.	Our review of the performance management and reporting process highlighted the following: **Lack of defined criteria and timelines for managing underperformance** • As part of our testing, we reviewed a sample of three quarterly performance report prepared by the external advisor as well as three Risk Management Group quarterly reports. Under these reports, performance is calculated through tracking error, a measure of how closely WIPO's portfolio's return follow its benchmark. It is calculated as the standard deviation of the difference between WIPO's returns and the benchmark's returns. As per our understanding, a low tracking error suggests the portfolio is closely aligned with the benchmark, while a high tracking error may indicate active management or deviation from the benchmark strategy. • While the external advisor reports on tracking error and relative performance against benchmarks, we noted that WIPO's Investment Policy and related guidelines do not define what constitutes "significantly poor performance" nor "sudden change in performance change". There are no quantitative thresholds or performance deviation metrics included in these documents to guide such determinations. • On the other hand, we noted that Risk Management Group's report has established KRIs for key investment risks. Specifically, KRI 4 – Portfolio return vs benchmark (relative return) sets a threshold of > 5% deviation for both the Core Cash and Strategic Cash portfolios. This threshold is not reflected in the Investment Policy or the Investment Guidelines, creating a disconnect between operational risk monitoring and formal governance documentation. • Additionally, the policy lacks clarity on the expected timeline for implementing corrective actions once portfolio's underperformance is identified. This may lead to inconsistent or delayed responses, reducing the effectiveness of investment oversight and risk mitigation.	• The lack of alignment between WIPO's Investment Policy and the Risk Management Group's established KRIs may result in inconsistent recognition and response to underperformance. • Without formally documented criteria, such as the >5% deviation threshold defined in KRI 4, and clear timelines for corrective action, stakeholders may face uncertainty in decision-making, delayed interventions, and reduced accountability.	

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
Investment Policy and Investment guidelines lack clear definitions and thresholds for identifying poor or sudden performance changes. Absence of clear timelines and escalation procedures for implementing corrective actions when underperformance is identified.	10.1 Define what constitutes "significantly poor performance" and "sudden change in performance" using quantitative metrics. Consider incorporating the >5% deviation threshold from KRI 4 into the Investment Policy and Investment Guidelines for both Core and Strategic Cash portfolios.	Update Investment Guidelines.	Quantitative metrics is established for "significantly poor performance" and "sudden change in performance" in the Investment Guidelines.	Paradzai Nematadzira Seong Joon Chen	01.12.2025
	10.2 Establish clear timelines and escalation procedures for implementing corrective actions when underperformance is identified.		Timeline for escalation to stakeholders (Controller, ACI, Director General) is established in the Policy on Investments, Investment Guidelines and Treasury Manual. A procedure to document "action taken" is established.		
	10.3 Align investment governance documents with the Risk Management Group's Key Risk Indicators to ensure consistency and transparency.		Update established CVaR from RMG in the Investment Guidelines.		
	10.4 Communicate the updated criteria and procedures to relevant stakeholders, including the ACI, to support timely and informed decision-making.		Upon completion of #10.3, the Investment Guidelines is issued by the Office of the Controller for implementation (stakeholders - ACI and RMG committee are informed).		

Systems and tools

11. Revoke excessive access rights to the Treasury Management System and ensure segregation of duties

Background	Finding	Risk	Medium
As per the ISACA (formally the Information Systems Audit and Control Association) best practices, organizations should conduct periodic user access reviews. In addition, generic accounts should not be used, and default accounts must be disabled, as lack of traceability prevents accountability for unauthorized IT activities. Furthermore, users should only access data necessary for their role and duration required. Super-user access to production environments should be controlled and granted temporarily to maintain segregation of duties and reduce risk of fraud or errors. At WIPO, the Treasury Management System records foreign exchange deals and investment placements. It manages transaction workflows, counterparties, and reporting for treasury operations. WIPO's ERP receives validated data from the Treasury Management System for accounting and reconciliation purposes. A server serves as a secure data exchange platform, transferring encrypted files between the Treasury Management System and external providers (e.g. trading platforms) through scheduled processes.	Our high-level review of the user access rights to the Treasury Management System as of the 17th of September 2025 highlighted the following: **<u>Excessive access right allocation</u>** • Super users have access to the Treasury Management System production environment. Their access rights include permission for creating money markets fund transaction, entering FX deals, counterparty limits, securities, debt and investment, FX revaluation, etc. • Two super users have currently access to the Treasury Management System. One from the Finance division and one from IT. • We noted one person who needs access to the Treasury Management System for extracting accounting reports also having access to front and back-offices permissions such as creation of money market fund transaction, enter FX Deals, Net Settlement, etc. *Management informed us that Super users were enabled due to ongoing development in the Treasury Management System. The soft go-live was on the 8th of September and the official go-live was the 1st of October. The 4-eye principle to enable any changes made by Super Users in the Treasury Management System has been adopted as a rule.* **<u>Improper segregation of access rights between the front office and the back office</u>** • We noted that back-office users also have front office access rights such as "User can create money market fund transactions" or "User can create/update/deactivate money market funds". • We noted that front office users also have back-office access rights such as "Create payment / Direct Debit from settlement for confirmed deals", "Net settlement", "Split settlement", "Lock/Unlock settlement". Our review of the treasury related access rights review process highlighted: **<u>Missing regular review of access rights</u>** • Absence of annual review of access rights for transfer servers, the ERP, and the Treasury Management System. *Management informed us that the Treasury Team has no ability to authorize payments as there was no assignment of banking signatory rights (in the Treasury Management System or bank) and that all FX and Investments transactions initiated by Treasury are configured to be direct debited on settlement.*	• Permanent super-user privileges, and inadequate segregation of access rights increase the risk of unauthorized changes, data breaches, and system misuse. These weaknesses can allow unauthorized or malicious actions to be executed, potentially leading to financial and operational impacts. • The absence of annual review increases the risk of users with access to the system not being authorized or excessive access rights.	

Systems and tools

11. Revoke excessive access rights to the Treasury Management System and ensure segregation of duties

Root causes	Recommended actions	Management actions	Closing criteria	Action owners and due dates	
Missing regular review of accesses and limited human resources in the Investment Management Team.	11.1 Limit access to the production system. If still needed, implement temporary, time-bound super user access to maintain accountability and traceability in case of any identified unauthorized IT activities.	Strengthen user Access Management & Update Treasury Manual.	Permissions allowed for all User roles (including Administrators, back-office and front office) in the Treasury Management System are reviewed by Finance Director to ensure compliance to segregation of duties. User access are implemented and updated to reflect "steady-state" access. An established workflow for change management on User roles is implemented. An automated monthly reporting and annual review of User Roles in the Treasury Management System by the Finance Director is implemented and documented. Adequate staff resource to reflect operational continuity and segregation (front/middle/back office) is implemented in the Investment Management Team. For the ERP, a process for bi-annual review performed every January and June has been established.	Paradzai Nematadzira Seong Joon Chen	01.12.2025
	11.2 Review current access rights and ensure that each user only has the accesses they need for their activities.				
	11.3 Design and implement a periodic access review process that could be done annually or bi-annually.				
	11.4 Refine access roles to ensure strong segregation of duty between front and back-office permissions.	Strengthen segregation of duty.	Appointment of new resource in Treasury Front Office to ensure long-term sustainable segregation of roles (front/middle/back) in the treasury function.		01.06.2026

05 Appendices

Internal Audit Report Distribution List

Name	Function
Independent Advisory Oversight Committee (IAOC)	
External Auditor	
Kusuma Ayu Rusnasanti	Audit Board of the Republic of Indonesia
Nanik Rahayu	Audit Board of the Republic of Indonesia
Management	
Daren Tang	Director General
Andrew Staines	Assistant Director General
Chitra Narayanaswamy	Controller
Paradzai Nematadzira	Director, Finance Division
Seong Joon Chen	Treasurer
Internal Oversight Division	
Julie Nyang'aya	Director, Internal Oversight Division (IOD)
Dainis Reinieks	Acting Head, Internal Audit Section, IOD
Dimitar Spasov Dimitrov	Associate Oversight Officer, IOD
Ernst & Young	
Elise Salaun	Engagement Partner
Gaetan Lefevre	Senior Manager
Camila Sol Duque	Team Member
Valérie Locher	Team Member

Risk Scale

Report Conclusion	
Satisfactory	• The assessed governance arrangements, risk management, and controls were adequately established and functioning well. • Issues identified by the audit, If any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Satisfactory, Some improvement needed	• The assessed governance arrangements, risk management practices, and controls were generally established and functioning, but need some improvement. • Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
Partially satisfactory, Major improvement needed	• The assessed governance arrangements, risk management practices, and controls were established and functioning but need major improvement. • Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory	• The assessed governance arrangements, risk management practices and controls were not adequately established and not functioning well. • Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

Audit findings within internal audit reports are classified in terms of priority. The prioritization reflects the auditor's independent judgment and understanding of the specific environment. It is meant to be an orientation aid to the management:

Audit Finding Significance	
High Significance	Matters and / or findings considered to be fundamental to maintenance of internal control, compliance, good corporate governance, or good practice for processes. The matters and / or findings should be subject to agreed remedial action either immediately or within three (3) months from date of issue of final report to management.
Medium Significance	Matters and / or findings considered to be of importance to maintenance of internal control, compliance, good corporate governance or good practice for processes. Findings raised may also relate to matters warranting consideration for improving the efficiency of existing processes subject to availability of specified resources or technology.
Low Significance	Matters and/or findings considered to be of minor importance to the maintenance of internal control, compliance, good corporate governance, or good practice for processes. Findings raised may also relate to matters warranting consideration for improving the efficiency of existing processes subject to availability of specified resources or technology.