

WIPO



WO/AC/1/2

ORIGINAL: English

DATE: May 5, 2006

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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WIPO AUDIT COMMITTEE

First Meeting
Geneva, April 10 to 12, 2006

REPORT

AGENDA ITEM 1: Election of the Chairman

1. The WIPO Audit Committee (hereinafter referred to as “the Committee”) elected Mr. Khalil Issa Othman as Chair and Mr. Pieter Zevenbergen as Vice Chair. The other members were Messrs. Geoffrey N. Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Babatunde Ajibola Oladele, Gian Piero T. Roz and Igor N. Shcherbak.

AGENDA ITEM 2: Adoption of the Agenda

2. The Committee adopted the draft Agenda (Annex I).

AGENDA ITEM 3: Working Methods and Procedures

AGENDA ITEM 4: Document A/41/10 “Proposal on the Establishment of a WIPO Audit Committee”

3. Under these two items, the Committee dealt with:

(a) Quorum:

To be quorate, the Committee will require to have present in meeting a majority of five members including either the Chair or the Vice Chair.

(b) Frequency of Meetings and Coordination/Synchronization with Other Meetings Especially the Program and Budget Committee and the General Assemblies:

The Committee provisionally agreed to meet on a quarterly basis for three days as a yardstick, but subject to change. This will be influenced by the degree of advanced preparation and communication of documents and information, to be sent by the Secretariat within a reasonable time period. To ensure proper coordination/synchronization with other meetings, especially with the Program and Budget Committee and the General Assemblies, the Committee requests the Secretariat to prepare a timetable and chart of benchmarks and meetings.

Decides to align its meetings, to the extent possible with planned meetings of the PBC.

(c) Other Issues:

To facilitate access to the relevant documentation and to expedite its role, the Committee requests the Secretariat:

(i) to ensure that complete and up-to-date documentation be provided to the Committee, and that all documents submitted be signed and dated to identify authorship;

(ii) to consider the possibility for the Committee to have an electronic document management system, using existing technology, for a simplified secure access to the documents with search capability and discussion forum and to submit detailed proposals to the Committee at its next session;

(iii) to submit to the Committee at its next session a comprehensive list of recommendations made by oversight bodies to the WIPO Secretariat over the past four years with a status of implementation, expected deadline for completion if the implementation is still open with a clear indication of the names of the responsible officers.

4. The Audit Committee also requests the Secretariat to complete as a matter of priority following best practice in the UN system a detailed procurement manual detailing procedures, responsibilities and accountability of all staff involved in the procurement process.

AGENDA ITEM 5: Review of the Status of the Construction of the New WIPO Building, Including an Examination of the Charter for the WIPO New Construction Project

I. Introduction

5. The Audit Committee was provided with the following documents by the WIPO Secretariat:

(a) Documents Directly Relating to the Project

WO/PBC/7/4
dated August 26, 2003

Matters Concerning the New Construction

WO/PBC/8/INF/1

Options Concerning the New Construction

dated March 10, 2005

A/41/14
dated August 24, 2005
Interim Audit by the External Auditor of the New
Administrative Building and Conference Room
Construction Project – Follow up on the 2003 Audit

A/41/15
dated August 24, 2005
Interim Audit by the External Auditor of the New
Administrative Building and Conference Room
Construction Project – Follow up on the 2004 Audit

A/41/16
dated August 24, 2005
Management of the New Construction Project

Charter for the WIPO New Construction Project. Informal paper submitted to the Ninth session of the Program and Budget Committee in January 2006

New Construction Project Informal paper provided by the Secretariat, on April 6, 2006

(b) General Documents

WIPO Financial Regulations and Financial Rules

Financial Management Report for 2002-2003 biennium

Program and Budget for 2006-2007 (publication No. 360E/PB0607)

Office Instruction: Procurement: General Principles and Framework
No. 28/2005
dated November 23, 2005

WO/PBC/9/5
dated March 1, 2006
Report of the Ninth Session of the Program and Budget
Committee Report, (January 11 to 13,
2006)

Office Instruction: Procurement and Purchase: General Principles,
No. 21/2006
dated March 30, 2006
Framework and Procedures (consolidated version)

6. Further information and explanations were provided orally to the Audit Committee by Mr. Philippe Petit, Deputy Director General, and Mrs. Carlotta Graffigna, Executive Director and Controller, during the course of the meeting.

II. Observations and Recommendations

II.1 Status of the Project

7. Based on the information provided to it as outlined in Section I above, the Audit Committee was unable to conclude that the New Construction Project could be completed with the budget agreed by Members States in 2005 according to the revised specification of

Behnisch, Behnisch & Partner, the Architect to the Project, and taking into account any new or updated construction costs, regulations or practices that would now be applicable. The Audit Committee accordingly recommends that an audit of the Project by a party with the appropriate quantity surveying and engineering expertise be undertaken. The selected External Management firm and the WIPO Secretariat should see to it that such audit is conducted. This task could be assigned to an independent firm (possibly FIPOI if feasible) or to the External Management firm itself. The audit findings should be reported to the WIPO Audit Committee, the Program and Budget Committee and the WIPO Secretariat prior to the final selection of the General Contractor for the New Construction Project.

II.2 The Charter

8. In the opinion of the Audit Committee, the Charter in its present form should be reviewed and a new version of it should be presented to the Audit Committee and the Program and Budget Committee. In particular:

- (a) The new version should be dated and have official numbering and have the name of the responsible WIPO Officer.
- (b) The new document should comply with United Nations best practices and international standards.
- (c) The role of the External Management firm should be emphasized and its role should be prominent in terms of responsibility for the organization of the Project.
- (d) The responsibilities, accountability and reporting lines as set out in Annex I of the Charter need simplification and clarification. It is recommended that the External Management firm should submit reports simultaneously to WIPO Management and to the Audit Committee.
- (e) The Organization chart in Annex I will also need to take into account the mode of operation proposed by the External Management firm when selected and if any amendments arise as a consequence, a revised relationship chart should be produced and circulated to the Audit Committee and the Program and Budget Committee.
- (f) A detailed risk register for the Project should be prepared by the External Management firm in conjunction with WIPO Management. This register should include the risks identified by the WIPO Secretariat with regard to this project and the mitigating steps that WIPO Management and the External Management firm propose to take with regards to these risks. This register should be updated monthly and made available to the Audit Committee meetings.
- (g) The role and responsibility of FIPOI and its contractual relationship with WIPO require clarification. Subject to this clarification, the Audit Committee recommends that it is able to call on FIPOI if it deems it necessary to advise it in connection with any reports it receives from the External Management firm or on responses to those reports by WIPO Management.
- (h) In the revised Charter, the management of changes in the construction project in terms of costs and other requirements should be properly reflected.

(i) The Architects Behnisch, Behnisch and Partner (the Architect of the Project), should be neither a Member nor a non-voting Member of the Selection Board but should be available to the Selection Board to provide advice.

II.3 Internal Control Mechanism

9. The revised Charter and its Annex 1, the organizational chart, should be more explicit in defining the role of internal audit in respect of its oversight function for the implementation of the New Construction Project.

10. For the internal audit to exercise its oversight function and pursuant to JIU Report recommendations, it should be strengthened and empowered to monitor the Project through its different phases, and report to the Director General who, in turn, should report to the Audit Committee.

11. Pending the strengthening of the Internal Oversight function at WIPO, the possibility of outsourcing some of its activities to monitor and report on the implementation of the Project should be explored. The UN Office of Internal Oversight Services (OIOS), New York, is one possibility within the UN system.

II.4 External Control Mechanisms

(a) External Audit

12. The revised Charter and its Annex 1, the organizational chart, should be more explicit in defining the role of the External Auditor in respect of his oversight function for the implementation of the New Construction Project.

13. The External Auditor should be enabled to monitor the forthcoming phases of the Project and report to the WIPO Secretariat, the Audit Committee and the Program and Budget Committee.

(b) WIPO Audit Committee

14. The WIPO Audit Committee should continue to oversee the progress of the Project. For this purpose, it will receive periodic reports, as indicated in the present report, from the Secretariat, the External Management firm, the External Auditor and the Internal Audit.

II.5 Convening of the Selection Board

15. Taking into consideration the observations and recommendations stated under II.1 to 4 above, and trusting that the recommendations will be acted upon, the WIPO Audit Committee advises the WIPO Secretariat to convene a Selection Board as envisaged.

AGENDA ITEM 6: Review of the Terms of Reference of the Desk-to-desk Review

16. The Committee met with Ms. Graffigna, Executive Director and Controller and Mr. Toledo, Director, Human Resources Management Department and benefited from the additional explanations provided by them. It had before it the informal paper provided by the Secretariat on March 28, 2006, entitled “Desk-to-desk Assessment of WIPO’s Human and Financial Resources”.

17. The Audit Committee reviewed the report of the JIU and related comments by the Secretariat (document A/41/12). In the opinion of the Audit Committee, the desk-to-desk survey should be conducted rapidly in order to assist the Secretariat to draft the budget for 2008/9 and Member States to take decisions in a timely and informed manner.

18. It noted that the proposed desk-to-desk survey in fact related also to JIU recommendation 9(e). The purpose of the review would be to ascertain that the human and financial resources engaged in implementing current and future WIPO’s program of work are adequate, by strategic goals enunciated in the 2006/07 Program and Budget in terms of the number and composition of the staff, skills profile, grade levels and funding.

19. The conclusions of the Audit Committee on this subject are the following:

(a) The proposal contained in the paper “Desk-to-Desk Review” is oriented towards assessing the future needs. The Terms of Reference should contain an assessment of the adequacy of present human and financial resources in WIPO and its future needs within the context of the WIPO strategic vision by strategic goal with a summary presentation. It should also include expected volumes and geographical origin of applications under the PCT, Madrid and Hague Systems, and technology plans by the Secretariat to move away to the extent possible from manual processes to electronic data processing under those systems, as well as expected income and other relevant information.

(b) In drafting the Terms of Reference, WIPO’s management should take advantage of best practice within the UN system and other intellectual property offices around the world for similar studies. The revised Terms of Reference should be sent to the WIPO Audit Committee.

(c) The composition of the project management team, with clear reporting lines and responsibilities within the Secretariat, should be well-defined.

(d) For the purpose of transparency, it is standard practice to invite external consulting firms to a pre-bidding conference to provide additional information to interested bidders. The minutes of such meeting should be shared with all companies invited to bid and sent to the WIPO Audit Committee.

(e) The selected consultancy firm should validate its understanding of the expected evolution of the IP protection world environment with WIPO management and Member States through the Coordinators of the different Groups. The consultant report should include an analysis of the current staffing composition, organization and Management structures.

- (f) Following the selection procedure, the consultancy firm is expected to undertake a pre-assessment review based on the brief provided by WIPO and based on high-level interviews that it conducts with WIPO staff to ensure the effectiveness of the consultancy work through an understanding of WIPO's position by gauging the alignment of WIPO's business processes, technology, organizational architecture, culture, and leadership capabilities with the strategy and objectives of WIPO, as defined by WIPO Member States in the medium term plan for 2006-2009 (document A/39/5) and the Program and Budget for 2006-2007. This should be undertaken by the consultancy firm prior to formulating its in-depth review. A report on this pre-assessment review should be provided by the consultancy firm to the WIPO Secretariat and the Audit Committee.
- (g) As a by-product of the exercise, the review would be able to identify synergies and overlapping, if any, between programmes and propose consolidation and streamlining of processes.
- (h) For the purpose of comparative cost effectiveness, the desk-to-desk survey should contain different scenarios to address the identified gaps with a high level indication of expected costs implications of each scenario taking into account the long-term liabilities for after-service medical insurance and separation costs. These scenarios would be a basis for the Secretariat to propose to Member States the optimal level of staffing required for addressing strategic goals of the Organization.
- (i) The WIPO Secretariat should include a risk register to its proposal. This register should include the risks identified by the WIPO Secretariat with regard to this project and the mitigating steps that WIPO management propose to take with regards to these risks.
- (j) The desk-to-desk assessment should also be able to examine the organizational structure of WIPO and recommend changes that would provide a better framework for the implementation of the work program. The purpose of the desk-to-desk survey is to lead to the creation of robust and effective staffing structure which should allow the Organization to cope with the challenges ahead.
- (k) For the purpose of the selection of the consultancy firm, prior experience with and knowledge of the human resources policies of either UN system or other intergovernmental organizations would be desirable.
- (l) To ensure proper accountability and effective oversight function, progress reports, consultants reports and related comments by the Secretariat should be forwarded for information to the Program and Budget Committee and to the Audit Committee on a regular basis.
- (m) The timeline contained in part 6 of the informal paper prepared by the Secretariat should be updated in accordance with the recommendations made above.

AGENDA ITEM 7: Other Matters

20. The Audit Committee authorized the Chair and possibly together with Mr. Roz to communicate to the Secretariat the text of the approved Report with the provision that (i) editorial changes and (ii) factual corrections would be introduced by the Secretariat, as

required. The final version of the Report will be communicated to all Members of the Program and Budget Committee through the Secretariat.

21. The final version will be sent to the WIPO Secretariat and to the Program and Budget Committee through the WIPO Secretariat under the signature of the Chair of the WIPO Audit Committee.

22. The next meeting of the Audit Committee will take place from Wednesday, July 5 to Friday, July 7, 2006.

23. The draft Agenda for the next Audit Committee meeting will include an appraisal of progress made with regard to:

- A.
 - 1. The construction project
 - 2. The desk-to-desk review

- B.
 - 1. Methods of Work of the WIPO Audit Committee
 - 2. Examination of document A/41/10 (“Proposal on the Establishment of a WIPO Audit Committee”)

- C. Other Matters

[Annex follows]

WIPO



WO/AC/1/1 Prov.

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DATE: March 9, 2006

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WIPO AUDIT COMMITTEE

First Meeting
Geneva, April 10 to 12, 2006

DRAFT AGENDA

prepared by the Secretariat

1. Election of the Chairman
2. Adoption of the Agenda
3. Working methods and procedures of the WIPO Audit Committee
4. Examination of document A/41/10, Annex II, with a view to establishing priorities for the work of the WIPO Audit Committee
5. Review of the status of the construction of the new WIPO building, including an examination of the Charter for the WIPO New Construction Project
6. Review of the Terms of Reference of the desk-to-desk review
7. Closing of the Session

[End Annex and of document]