

WIPO Audit Committee

**Seventeenth Meeting
Geneva, July 5 to 9, 2010**

REPORT

Adopted by the WIPO Audit Committee

CONTENTS

Agenda Item 1: Adoption of the Agenda	3
Agenda Item 2: Executive Session	3
Agenda Item 3: Meeting with the Staff Council.....	4
Agenda Item 4: Meeting with the Director General and Senior Management Team	5
Agenda Item 5: Strategic Realignment Program	6
A. Strategic Realignment Program Plan	6
B. Voluntary Separation Program	7
C. Ethics Office	8
Agenda Item 6: Enterprise Resource Planning.....	9
Agenda Item 7: Financial Management Report for the 2008/09 Biennium.....	10
Agenda Item 8: Program Performance Report for the 2008/09 Biennium; Evaluation	11
A. Program Performance Report 2008/09.....	11
B. Validation of the Program Performance Report 2008/09	11
C. Program Management and Performance Section (PMPS) Work plan 2010/11	12
D. Evaluation	12
Agenda Item 9: Revision of the Internal Audit Charter	12
Agenda Item 10: Internal Controls	13
A. Internal Control Gap Assessment.....	13
B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report	14
C. IAOD Work plans	14
D. Follow-up on Implementation of Oversight Recommendations	15
E. Update on Investigations	16
F. Internal Audit Reports.....	17
Agenda Item 11: External Auditor	18
A. External Auditor Selection Process	18
B. Meeting with the External Auditor.....	18
Agenda Item 12: New Construction Projects	18
Agenda Item 13: Meeting with Representatives of WIPO Member States; Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee	19
Agenda Item 14: Other Matters.....	20

INTRODUCTION

1. The seventeenth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from July 5 to 9, 2010. Present were Messrs. Gian Piero Roz (Chair), Khalil Issa Othman (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Pieter Zevenbergen.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

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

AGENDA ITEM 2: EXECUTIVE SESSION

3. The Committee reviewed the meeting document list and noted that many documents had not been sent on time, i.e. 15 days before the Committee’s meeting, and that some documents had not been sent at all. The Committee’s seventeenth meeting had been scheduled to ensure that its report would be issued on time for the fifteenth session of the Program and Budget Committee (PBC/15). It understood that the Secretariat was still working on documents for PBC/15. The Committee therefore decided to hold its eighteenth meeting at the end of August. Since the report of that meeting would be issued only a few days before PBC/15, it would be presented to the PBC orally.
4. The Committee further noted that the documentation before it was very voluminous and that the time consuming task of document review was exacerbated by the fact that a number of reports lacked a concise and comprehensive Executive Summary.
5. The Committee also noted that a number of published Office Instructions and reports relevant to the Committee’s mandate had not been forwarded to the Committee for information or review. Although the Committee does not have operational or managerial functions, it wished to draw the attention of WIPO Management to the fact that, to fully meet its mandate, the Secretariat should provide the Committee with relevant information and documentation on time. The Committee decided to discuss with the Secretariat, at its next meeting, how documentation coordination and its link to the timing of the Audit Committee meetings could be improved.

Recommendation

6. The Committee recommends that all reports issued by the Secretariat should include a comprehensive and exhaustive Executive Summary that incorporates the report’s main findings and recommendations.

AGENDA ITEM 3: MEETING WITH THE STAFF COUNCIL

7. The Committee met with representatives of the Staff Council at the latter's request. The Committee had met with Staff Council representatives in the past and was pleased to have the opportunity to meet with the recently elected new representative body. The Committee noted that, in accordance with the Staff Regulations and Staff Rules, the Staff Council has a statutory role in the governance of the Organization and that "The interests of the staff shall be represented before the Director General and his representatives by a Staff Council elected by the staff members."¹
8. The Staff Council representatives were reminded that the Committee does not have operational and managerial responsibilities and that its mandate is provided for in its Terms of Reference as established by Member States.
9. The Staff Council shared its concerns regarding:
 - (a) Investigation procedures and the newly drafted Investigation Manual, and the consultation process related to the Investigations Policy.²
 - (b) The lack of consultation, required by the Staff Regulations and Staff Rules, concerning the creation of the Ethics Office and the selection process of the new Ethics Officer.³
 - (c) The lack of consultations with the Staff Council on the reorganization of the Medical Service and its outsourcing to the United Nations Office in Geneva, and access to existing WIPO medical records.⁴ In its subsequent meeting with the Chief of Staff and Chief Ethics Officer (see Item 5C below), the Secretariat confirmed that the Medical Service had been provided by the UN Medical Services since the beginning of 2009 and that it was only the modalities of that arrangement that had been modified. On the issue of the existing WIPO medical records, the Secretariat confirmed that the Administration would revert to staff on the handling of these, ensuring that all parties' rights were safeguarded, first and foremost those of the staff.
 - (d) Lack of transparency on recruitment procedures⁵ (see also paragraph 68 below).
 - (e) The functioning of the internal system of justice, as already brought to the attention of the Coordination Committee by the Staff Council in 2009.
 - (f) Lack of consultation for the selection of the Ombudsman.
10. The Committee asked for clarification on the issues raised and dealt with certain matters during discussions on other agenda items, as contained in the body of this report.
11. The Committee was advised that a meeting between the Staff Council and the Director General was scheduled for Wednesday, July 7, 2010. It welcomed extended

¹ Regulation 8.1, WIPO Staff Regulations and Staff Rules

² See also paragraph 77 (e) below

³ See also paragraph 27 below

⁴ See also paragraph 27 below

⁵ This issue was previously raised at the Committee's eighth meeting in 2008. See document WO/AC/8/2, paragraphs 35 to 38

consultation between staff and management in particular during this reform period and decided to follow up on this matter at its next meeting.

AGENDA ITEM 4: MEETING WITH THE DIRECTOR GENERAL AND SENIOR MANAGEMENT TEAM

12. The Chair of the Committee welcomed the presence of the Director General and, for the first time, the entire Senior Management Team (SMT), namely: Deputy Directors General Geoffrey Onyeama (Cooperation for Development Sector), James Pooley (Innovation and Technology Sector), Binying Wang (Brands and Designs Sector) and Christian Wichard (Global Issues Sector), and Assistant Directors General Trevor Clarke (Culture and Creative Industries Sector), Ambi Sundaram (Administration and Management Sector) and Yo Takagi (Global Infrastructure Sector).
13. The Director General briefed the Committee on a range of issues including: the impact of the financial crisis (the trend is now up and not down but income will not rise at the same rate as before); the possibility of resorting to extra-budgetary resources; internal measures such as the reorganization of the Secretariat whereby, for example, the new titles of the Deputy Director Generals and Assistant Director Generals reflect their respective functions; the Voluntary Separation Program (VSP); the Strategic Realignment Program (SRP) and challenges therein; the introduction of the Medium Term Strategic Plan (MTSP); and, communications: external with Member States and other stakeholders and internal with staff.
14. Concerning Staff issues, the Director General stated that 55 posts vacated through the VSP would be used for regularization of long-term short-term employees, which would simultaneously result in a headcount reduction of 55. Concerning a backlog of post reclassification requests, he informed the Committee that 218 of the 263 requests had now been dealt with.
15. The briefing was followed by questions and answers and discussion on most of the issues raised by the Director General including: accountability; the availability of skills and competencies to carry out the changes and the mandate of WIPO as a specialized technical agency of the UN; and, the need to strike a balanced agenda between producers and consumers of intellectual property.
16. Two SMT members, referring to the discussion that had taken place during the Committee's sixteenth meeting, advised the Committee that they were particularly concerned respectively by (i) information security and (ii) the risks the Organization may face should multilateral consultations such as those taking place on copyright take too long even as technology evolves rapidly. These issues could lead to a loss of the Organization's credibility and relevance.
17. The Chair thanked the Director General and the SMT members and hoped that the tradition of meeting with the Committee would continue.

AGENDA ITEM 5: STRATEGIC REALIGNMENT PROGRAM

18. Documents presented to the Committee are listed in Annex II.
19. The Committee met with Mr. Ambi Sundaram, Assistant Director General; Mr. Miguel Figuerola, Director, Human Resources Management Department; Mrs. Chitra Narayanaswamy, Acting Director, Resource Planning, Program Performance and Management Division; Mrs. Ingrid Wynant, Consultant, Human Resources Engagement and Development Section; and, Mr. Alberto Salvador de la Hoz, External Consultant. For sub-item "C. Ethics Office", the Committee met with Mr. Naresh Prasad, Executive Director and Chief of Staff, and Mr. Arvard Bishop, Chief Ethics Officer.

A. Strategic Realignment Program Plan

20. The Strategic Realignment Program (SRP) was referred to on many occasions in the context of other Agenda items thereby confirming its Organization-wide impact.
21. A progress report was submitted after the Committee's fifteen day document receipt deadline and a powerpoint presentation made during the Committee's meeting. The Committee will review the progress report in detail at its eighteenth meeting, as well as any SRP-related documents issued for the forthcoming Program and Budget Committee meeting.

Observations

22. The Committee noted that:
 - (a) All initiatives had collective ownership on the part of the Senior Management Team (SMT) and, in addition, each SMT member had been assigned the role of a "Champion" of one or more initiatives.
 - (b) The four values apply to the Organization as a whole and cut across all sectors.
 - (c) A new initiative had been added, namely "Business Continuity" (with Mr. Sundaram as SMT champion and Mr. Wei Lei as Project Leader), bringing the total number of initiatives to 19.
 - (d) Overall accountability and responsibility remained in line with the Organizational structure but collaboration and ownership of the initiatives may be cross-departmental. The risk that such an approach may lead to excessive decentralization with a related loss of control over the various initiatives would need to be monitored carefully.
 - (e) All Project Leaders were expected to submit detailed Project Briefs to the Project Management Office by July 31, 2010. The Briefs would include resource requirements.
 - (f) Outcome indicators (about 20 in total for the four values) were being identified to measure ongoing progress and the rate of final success.

- (g) The main risks identified so far were:
 - (i) a possible lack of financial and human resources to accomplish so many parallel initiatives;
 - (ii) insufficient involvement and ownership on the part of the staff; and,
 - (iii) the complexity of the SRP due to its Organization-wide impact.Risk mitigation measures were being identified.
- (h) The need, identified by Management, to strike a balance between implementation versus monitoring and reporting.
- (i) The initial critical path analysis had identified the following:
 - (i) two initiatives with high interdependency (the implementation of the Enterprise Resource Planning system and the strengthening of Results Based Management);
 - (ii) four strong impact initiatives, mainly in the human resources and the information and communication technology areas, where implementation could negatively impact those under (i); and,
 - (iii) three strategic initiatives considered key by Management including, among others, the strengthening of the internal control system.

B. Voluntary Separation Program

23. The Voluntary Separation Program (VSP) was discussed on many occasions during the Committee's meeting. An oral presentation was made to the Committee but a progress report was not submitted. The Committee was informed that a detailed report, incorporating information requested by the Committee, was under preparation for the WIPO Coordination Committee meeting in September.

Observations

24. The Committee noted that:
- (a) 99 requests had been approved and 87 staff had separated (some applications had been withdrawn and one case was still pending).
 - (b) The total cost was estimated at 23.6 million Swiss francs, i.e., below the initial estimate of 30 million Swiss francs. As of the end of June 2010, 22 million Swiss francs had been disbursed.
 - (c) Financing had been provided using provisions for separation from service and post-employment benefits, which would now need to be replenished.
 - (d) Out of the 87 posts, 55 had been set aside for the possible regularization of long-term short-term employees while the remaining 32 would be used to fill vacancies in areas where specific skills were lacking.

25. The Committee decided to review the final report presented to the Coordination Committee at its next meeting and expects that the report will include details on the criteria used to redistribute the posts vacated through the VSP among organizational units as well as on the procedures for filling them.

C. Ethics Office

26. The Committee welcomed the creation of the Ethics Office, a long standing issue which the Committee first outlined in March 2007.⁶
27. The Chief of Staff informed the Committee that, due to an oversight, the Office Instruction on the establishment of the Ethics Office had been issued without prior consultation with the Staff Council, which would be reviewed. Concerning the question raised by the Staff Council on medical records, he confirmed that the Human Resource Management Department was looking into this matter.
28. The Chief of Staff also reminded the Committee that the establishment of a comprehensive ethics and integrity system was one of the SRP initiatives, under the value "Environmental, Social and Governance Responsibility". The Committee recalled its recommendation made in May 2008⁷ that the International Civil Service Standards of Conduct should be more prominent on the Intranet. The UN Secretary-General Bulletin with explanatory notes could be used as a baseline for a similar document within WIPO. No action appeared to have been taken so far.
29. In the opinion of the Committee, the issue of Ethics cannot be seen in isolation. It is closely related with the work of the Ombudsman, the internal system of justice, the investigations policy, the reform of human resources management, fraud prevention, and the WIPO oversight system overall.
30. The Committee drew the Chief Ethics Officer's attention to the Committee's many recommendations on ethics-related issues and in particular to comments made in June 2009 on the proposed financial disclosure policy. In the view of the Committee, all observations made at that time were still valid and therefore needed to be addressed.

Observations

31. The Committee noted that:
- (a) The four main pillars of WIPO's ethics policy would be:
 - (i) norm setting and policy development;
 - (ii) promotion of norms and values;
 - (iii) confidential advice to management and staff; and,
 - (iv) implementation of key policies i.e., financial disclosure, a whistleblowing policy, protection of staff against retaliation, etc.

⁶ Document WO/AC/4/2

⁷ Document WO/AC/9/2 paragraph 29(c)

- (b) Ethics would require a change in culture and attitude at WIPO. The SRP already included an extensive training program to be organized after the approval of the WIPO Code of Ethics by WIPO Member States.
- (c) Work would be undertaken on a priority basis to finalize the implementation of the Financial Disclosure Policy.
- (d) Extensive consultation would be organized with the Staff Council on the development of a Code of Ethics for WIPO.
- (e) Management considered the main risk factor to be a certain degree of skepticism amongst staff in the Ethics Office.

Recommendations

- 32. In line with paragraph 29 above, and to ensure a cohesive ethics system at WIPO, the Committee recommends that the Secretariat should undertake an overall review of Ethics related issues within the framework of the SRP, including: Code of Ethics, Ethics Office, Ombudsman, internal system of justice, investigations, and the review of the Staff Regulations and Staff Rules. The oversight bodies, Internal and External Auditors and the Audit Committee could assist with this work.
- 33. To ensure transparency and improve staff confidence, the Committee recommends that, following best practice in other organizations, the Secretariat should consider issuing annual reports of the activities of the Ethics Officer and of the Ombudsman, and a report by the Director General on the administration of justice in the Secretariat, including cases opened in front of or completed by the International Labour Organization Administrative Tribunal (ILOAT).

AGENDA ITEM 6: ENTERPRISE RESOURCE PLANNING

- 34. The Committee met with Mr. Wei Lei, Chief Information Officer, and Mrs. Chitra Narayanaswamy, Acting Director, Resource Planning, Program Performance and Management Division.
- 35. The Committee was briefed orally on the preparation for the financing and launching of the Enterprise Resource Planning (ERP) project. The Committee was therefore not in a position to comment in detail on this subject.
- 36. The Committee recalled that implementation of the ERP system was key for implementation of many of the SRP initiatives, in particular those relating to human resources management (about 70% of the Organization's expenditure) and Results Based Management. The implementation of the internal control system would also depend heavily on the ERP system.
- 37. The Committee also noted that the Organization planned to propose an incremental implementation of the ERP system. This was in line with past experience and would limit the kind of risks faced by some other UN organizations also implementing ERP systems.
- 38. The Committee noted the critical issue of the definition of a new chart of accounts to support Results Based Management and the Program Performance Report. It also concurred with Management on the difficulties faced in defining business needs in such a way so as to ensure that the ERP system would not be limited to being simply an

automated data collection tool but instead be a useful management tool and an information platform for Member States.

39. The Committee further noted the successful implementation of the new modules of the finance system in conjunction with the introduction of the International Public Sector Accounting Standards (IPSAS).
40. The Committee decided to revert to this subject at its eighteenth meeting.

AGENDA ITEM 7: FINANCIAL MANAGEMENT REPORT FOR THE 2008/09 BIENNIUM

41. Documents presented to the Committee are listed in Annex II.
42. The Committee met with Mr. Philippe Favatier, Chief Financial Officer (Controller) and Mrs. Cook Robbins, Head, Finance Services.
43. The Committee received a draft version of the Financial Management Report (FMR), pending approval by Management, after the Committee's document receipt deadline. The Committee acknowledged the amount of work undertaken by the Department of Finance and Budget to finalize the draft.
44. The draft FMR was presented orally.
45. The Committee was of the opinion that the FMR should be read in conjunction with the Program Performance Report (PPR), the PPR Validation Report and the Report of the External Auditor on the biennial accounts.

Observations

46. The Committee noted, in particular, that:
 - (a) The Financial Statements were included in the Financial Management Report.
 - (b) The report was presented following the International Public Sector Accounting Standards (IPSAS) format. This format included extensive notes.
 - (c) The report had been audited during its preparation, on an ongoing basis, by the External Auditor, in view of its new format.
 - (d) All extra-budgetary resources had been shown in the report.
 - (e) A staffing table showing all posts and the headcount of temporary staff, as previously requested by the Committee, had been included.
47. In view of the late submission of the draft FMR and lack of time for a comprehensive review, the Committee decided to take up this matter again at its next meeting in August in order to report on the FMR to the PBC in September 2010.

AGENDA ITEM 8: PROGRAM PERFORMANCE REPORT FOR THE 2008/09 BIENNIUM; EVALUATION

48. Documents presented to the Committee are listed in Annex II.
49. The Committee met with Mr. Philippe Favatier, Chief Financial Officer (Controller), Mr. Nick Treen, Director, Internal Audit and Oversight Division, Mr. Joe Bradley, Head, Program Management and Performance Section (PMPS), and Mrs. Maya Bachner, Senior Results Based Management (RBM) Advisor, PMPS.

A. Program Performance Report 2008/09

Observations

50. The Committee observed that:
 - (a) The Program Performance Report (PPR) was rich in information on deliveries and results at the Program level, but poor in analysis. It did not provide an overall picture of the progress achieved towards attaining the strategic goals of the Organization as a whole. An overview of performance at the Organizational level is essential in any reporting on Program achievements. Such overview should also reflect the challenges and problems encountered during the implementation process.
 - (b) The Committee noted that the report provides some consolidated figures on the allocation and expenditure by Programs. These figures did not constitute a useful indication on the cost efficiency of their implementation.
 - (c) The PPR did not provide a reasonable assurance to stakeholders that the Program had been implemented in a cost-efficient and cost-effective manner.
 - (d) In the absence of a system for periodic monitoring and assessment of results achieved that links expenditures and work plans at all levels to the specific objectives of the Program, the usefulness of the report as a management tool was limited.

Recommendation

51. The Committee recommends that the PPR should be more analytical if it is to become a useful tool for Management and stakeholders. It should include financial data linking the expenditures to the progress achieved so that cost-efficiency of performance can be measured.

B. Validation of the Program Performance Report 2008/09

Observations

52. The Committee reviewed an IAOD report on the validation of the PPR 2008/09 dated June 15, 2010. The document was received during the Committee's meeting providing little time for the Committee members to reflect on it thoroughly. The Committee observed that:

- (a) The report did not validate the authenticity and reliability of the information provided in the PPR regarding the efficiency of deliveries and the results achieved during the 2008/09 biennium. Instead, it examined the data limitation used to measure performance against a set of criteria, i.e. relevant, comprehensive, accurate, verifiable, clear, etc.
- (b) Notwithstanding the above, the findings of the exercise were useful for improving the baseline data used in the assessment of the results achieved.
- (c) The Program Management and Performance Section (PMPS) considered the findings and recommendations of the validation exercise useful to their on-going efforts to improve the baseline data information needed to assess the results achieved.

C. Program Management and Performance Section (PMPS) Work plan 2010/11

Observations

- 53. The Committee was handed an undated paper entitled "Program Management and Performance Section Work Plan 2010/11" during its meeting. The Committee was informed that the PMPS work plan was driven by the SRP "Strengthen RBM Initiative" described in the included Project Brief.
- 54. In line with the recommendation made at its sixteenth meeting,⁸ the Committee expects to receive a detailed PMPS 2010/11 work plan for its nineteenth meeting.

D. Evaluation

- 55. The Committee decided to review this subject at its nineteenth meeting.

AGENDA ITEM 9: REVISION OF THE INTERNAL AUDIT CHARTER

- 56. Documents presented to the Committee are listed in Annex II.
- 57. The Committee met with Mr. Nick Treen, Director, Internal Audit and Oversight Division.
- 58. The Committee reviewed the proposed changes to the WIPO Internal Audit Charter (IAC) and considered that the revisions did not fully reflect developments in WIPO in the areas of ethics, internal control, accountability, and the internal system of justice, as well as international developments in the area of internal audit. Developments within WIPO as a result of the Strategic Realignment Program were also not reflected.
- 59. The Committee therefore decided to continue its review of the revised IAC text, including follow up on related developments, at its next meeting in August 2010. In the Committee's opinion, this review may also need to be extended to future meetings.
- 60. Nevertheless, the Committee did reach a decision regarding the term of office of the Internal Auditor. The Committee concluded that a non-renewable term of office of five years met expectations and was in line with UN Secretariat practice.

⁸ Document WO/AC/16, paragraph 36(a)

Recommendation

61. While the Committee continues to review the IAC, it recommends that, at this stage, the term of Office of the Director of IAOD be limited to five years, non-renewable.

AGENDA ITEM 10: INTERNAL CONTROLS

62. Documents presented to the Committee are listed in Annex II.
63. The Committee met with Mr. Nick Treen, Director, Internal Audit and Oversight Division, as well as with Mr. Wei Lei, Chief Information Officer, for discussions under sub-item "F. Internal Audit Reports".

A. Internal Control Gap Assessment

64. The Committee welcomed the long overdue report and appreciated its contents and presentation. The Director of IAOD stressed that the report fitted with the overall SRP approach. The staff survey conducted for the study also provided interesting results both for the study itself and for Management.

Observations

65. The Committee noted that:
 - (a) The report was well integrated with the SRP and was relevant for four initiatives: strengthening of Results Based Management; implementation of the Performance Management and Staff Development System (PMSDS); strengthening of the internal control system; and, establishment of a comprehensive ethics and integrity system.
 - (b) INTOSAI guidelines had been used as a basis for the study.
 - (c) The report confirmed some of the findings of the 2007 Desk to Desk report and several statements and recommendations made by the Committee over the past four years in the human resources area, concerning the need for an ethics and integrity framework and on risk management.
 - (d) The "bottom up" approach complemented by a "top down approach" recommended by the consultants for the definition of risks by area appeared to fit well the needs of the Organization and was in line with the approach successfully implemented at the request of the Committee for certain projects over the past few years, in particular, the New Construction Project.
 - (e) A considerable amount of work was still needed given that the consultants had identified that less than 10% of the "22 identified entity level controls were mature and fully in place".
 - (f) The staff survey had proved a useful tool for facilitating the study and identifying sensitive areas requiring attention by management as a matter of priority.

Recommendation

66. The Committee recommends that:
- (a) Given the importance of its contents, the Secretariat should bring this report to the attention of Member States.
 - (b) The SMT should consider the report and implement its recommendations.
 - (c) The SRP Project Management Office should regularly use the WIPO Entity-level Control Gap and Analysis Tool contained in the report, to provide the SMT (in particular the SMT champions) with a tool to monitor progress made in overcoming internal control gaps identified.

B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report

67. The Committee noted that:
- (a) The P5 post for Head of the Internal Audit Section had not been filled and another attempt at recruitment would be made as of September. In the meantime, in order to supplement the Section's capacity, an offer might be made at P4 level for a 12 month consultancy in the Internal Audit Section commencing this August.
 - (b) IAOD staffing gaps in other Sections still remained and this had been reflected in IAOD's 2010/11 work plans. In the Investigation Section, there was currently a P4 Senior Investigator in post, a consultant investigator contracted to the end of 2010, and an investigation assistant on a six month short term contract. In the Evaluation Section, the vacancy announcement for the post of Section Head had seen a favorable response. A Selection Board for the latter had not yet been convened.
 - (c) It appeared that the current Staff Regulations and Staff Rules are relatively loosely drafted permitting a considerable degree of flexibility and informality in recruitment procedures. In particular, in connection with any recruitment for IAOD, there was no provision eliminating potential conflict of interest whereby a member of a Selection Board could also be the subject of an IAOD review.

Recommendation

68. The Committee recommends that the development of an interim transparent selection policy be treated as a matter of priority pending the overall redrafting of the Staff Regulations and Staff Rules (see also paragraph 9(d) above).

C. IAOD Work plans

69. As decided at its last meeting, the Committee reviewed the implementation of the Work Plan during the period January to June 2010.
70. The Committee noted that:
- (a) The audit of technical assistance had not commenced.
 - (b) Continuous audit using the audit support software (ACL) tool had been delayed but valuable technical help had been received from the European Patent Office (EPO).

- (c) An audit of the Arbitration and Mediation Center was in progress.
- (d) The regular audit of the New Construction Project had again yielded some useful recommendations.
- (e) The Senior Auditor was on sick leave which was delaying fulfillment of the work plan of the Audit Section.

D. Follow-up on Implementation of Oversight Recommendations

71. The Committee was distressed to learn that data that had been entered into a system to monitor implementation of oversight recommendations had been lost. The Committee recalled that since its second meeting in July 2006 it had requested that an effective system be put in place to follow-up on the implementation of oversight recommendations. Recommendations on this subject had been made at six successive meetings.

Observations

72. The committee noted that:
- (a) The Administration and Management Sector had taken steps to dedicate its own resources for the collection and entry of data necessary for this undertaking.
 - (b) The Information and Communications Technology Department had stated that it would take less than 2 months to develop the long needed database.
 - (c) A major effort had been undertaken for data collection after the personal involvement of the Director General to address this long standing issue.
 - (d) The current 264 page document could not be used (i) as a management tool and (ii) by management to assess the status of oversight recommendations implementation.
 - (e) Office Instruction 16/2010 "Implementation of Oversight Recommendations" had eventually been issued in May 2010. It defines the responsibility of managers for dealing with oversight recommendations but, as previously noted by the Committee, does not address the consequences in case of non compliance.

Recommendations

73. The Committee recommends that:
- (a) The Administration and Management Sector and IAOD should work closely together to finalize the long awaited database so that an update of the status of oversight recommendations can finally be made with only the most relevant outstanding recommendations being given priority for implementation.
 - (b) Procedures for the implementation of the provisions of Office Instruction 16/2010 should be put in place and communicated to the Committee at its nineteenth meeting.
 - (c) Consideration should be given to the implementation of the accountability framework, including possible sanctions, for managers who fail to implement the provisions of Office Instruction 16/2010.

E. Update on Investigations

74. The Committee welcomed the reports on investigation workload, case types and costs that the Director of IAOD had provided to it at the Committee's request. It exchanged views with the latter on the status of the Investigation Manual and Policy and on the other information provided.
75. The Committee considered that the explanations provided to the Committee on the procedures followed for investigations conducted outside of IAOD (see document WO/GA/38/1, Annex, page 4) were insufficient to give satisfactory answers to the questions raised by the Committee and by the Staff Council on this issue.
76. At this stage, the Committee was not in a position to comment on the Investigation Manual. It noted, however, the comments of the Staff Council on the third draft version⁹ and the replies provided by the Internal Auditor.

Observations

77. The Committee noted that:
- (a) The work undertaken was in line with the SRP initiative on strengthening internal controls.
 - (b) Misunderstandings between IAOD and the Staff Council concerning investigation procedures and the Investigation Manual still appeared to exist.
 - (c) There still seemed to be confusion about the status of ongoing investigations and of investigations that had been completed but needed follow-up action. This could create mistrust among the staff.
 - (d) Some investigations had been on-going for a considerable time with certain staff suspended for almost two years to date.
 - (e) The Staff Council considered that statutory consultations needed to take place before finalization of the draft Investigation Policy.
 - (d) Confusion still seemed to exist over responsibility for (i) investigations to be conducted by IAOD, and (ii) fact finding procedures to ascertain misconduct and fraud, to be conducted by the Human Resources Management Department and the Department of Finance and Budget.
 - (e) As stated in paragraph 29 above, the Investigation Policy is part of the overall internal system of justice and therefore needs to be addressed on an urgent basis in conjunction with the SRP initiatives "Revise enabling regulatory framework for HR management" and "Establish a comprehensive ethics and integrity system".

⁹ The submission of the two first drafts of the Investigation Manual had elicited no comments on the part of the Staff Council.

78. The Committee recommends that:
- (a) The Investigation Manual should be issued as soon as possible to ensure that investigators comply with a published methodology and procedures.
 - (b) All investigations should be conducted under the direct responsibility of IAOD and strictly adhere to published procedures.
 - (c) A review of the Investigation Policy and Manual should be conducted, in consultation with the Staff Council, initially every year to determine whether adjustments are required.
 - (d) All staff interviewed by investigators should be given a copy of the interview report for validation.
 - (e) Detailed information on investigations should be included in an annual report on the administration of justice in the Secretariat as recommended by the Committee in paragraph 33 above.

F. Internal Audit Reports

Follow Up Audit of IT Security and Access Controls

79. The Committee reviewed the internal audit report "Follow Up Audit of IT Security and Access Controls" with the Internal Auditor and the Chief Information Officer (CIO). The CIO stated that, based on his own assessment, more than 80% of IT security recommendations had been implemented and that this had been achieved during a period when the Head of Information Security had been seconded to IAOD for more than 50% of his time for over a year to assist with investigations.
80. He also advised the Committee that the process for identifying internal control needs on information security was dependent on the assessment of information security risks (identification of critical information by Program Managers) and on business continuity requirements.

Observations

81. The Committee noted that:
- (a) The Information and Communication Technology (ICT) Department reporting lines were now clearly identified within the Administration and Management Sector and that Mr. Pooley, Deputy Director General, Innovation and Technology Sector, had been identified as the SMT Champion for information security.
 - (b) Business continuity was a key element of the SRP.
 - (c) An ICT strategy was close to completion (an SRP project).
82. The Committee expects to be informed of progress made in this area at its nineteenth meeting.

Final Audit Report on the PCT Revenue Generation Process; Final Audit Report on the Revenue Generation Process for the Madrid and the Hague Systems

83. The Committee decided to postpone discussion on these reports to its nineteenth meeting, when it would invite Deputy Directors General Mr. Pooley and Mrs. Wang to comment upon them.

AGENDA ITEM 11: EXTERNAL AUDITOR

84. Documents presented to the Committee are listed in Annex II.
85. The Committee met with Mr. Philippe Favatier, Chief Financial Officer (Controller).

A. External Auditor Selection Process

86. As decided by the General Assembly endorsing a recommendation of the Program and Budget Committee (document WO/GA/38/20), the Committee was consulted by the Secretariat on the evaluation criteria for the selection of the External Auditor. The first draft evaluation criteria were modified accordingly.
87. The Committee was briefed on the number of submissions received and on the ongoing meetings of the selection committee which comprises the coordinators of the seven geographical groups.
88. The Committee requested the Secretariat to keep it informed on an ongoing basis of the progress made so that the Committee could determine when and how it would be in a position to review the first evaluation conducted by the Secretariat, in accordance with the agreed upon selection procedure. Given that no Committee Member resides in Geneva, the Committee would also consider, at its next meeting, how best to proceed.

B. Meeting with the External Auditor

89. The meeting with the External Auditor was postponed with his concurrence.

AGENDA ITEM 12: NEW CONSTRUCTION PROJECTS

90. Documents presented to the Committee are listed in Annex II.
91. The Committee met with Ms. Isabelle Boutillon, Secretary, Construction Committee; Mr. Alfio Favero, Consultant, New Construction Projects Section, Premises Infrastructure Division; and, Mr. Jean-Daniel Fehr, Project Director General, Burckhardt+Partner SA ("the Pilot").
92. Some Committee members also benefited from a site visit lead by Mr. Hofmeister, from Behnisch Architekten, the on-site project architect.

Observations

93. Documents presented to the Committee were not received in time for the Committee to consider them. However, based on the verbal presentation made to the Committee by Ms. Boutillon and Mr. Fehr, it was noted that:
- (a) The level of activity as anticipated had been very high with the fitting out stage in progress of the new office building and the issue of RFPs to general contractor candidates for the New Conference Hall. The consequent demands on the Pilot, the Internal Project Monitoring Team and the Construction Committee had contributed to the delay in submitting reports to the Committee.
 - (b) Satisfactory progress had however been made in line with targets for the New Construction Projects and there were no material new issues to report to the Committee.
 - (c) Discussions to resolve the interference of UN HMOSS perimeter security with a pedestrian right of way had been extended to include the Swiss Federal and local authorities, noting that FIPOI continued to be involved as the building permit application had been jointly filed by WIPO and FIPOI last year. It was still anticipated that satisfactory resolution of the matter would be obtained later in the year.
 - (d) Whilst discussions on extending the existing loan agreement by 40 million Swiss francs in respect of financing the New Conference Hall were expected to result in the signing of a loan addendum agreement shortly, it was not anticipated that any drawn down would occur before 2012.
 - (e) The potential use of the New Conference Hall, when complete, by third parties was expected to be discussed in 2011 and it was anticipated that WIPO would work with FIPOI to establish an appropriate framework for utilization of the new Hall during the periods of time when WIPO would not need it for meetings of its Member States or for other meetings organized by it.
 - (f) The Administrative Building Project appeared to be on time and budget and some funds earmarked for unforeseen needs were still available.

**AGENDA ITEM 13: MEETING WITH REPRESENTATIVES OF WIPO MEMBER STATES;
FOLLOW-UP ON THE ASSESSMENT OF THE WORK AND OPERATIONS OF THE WIPO
AUDIT COMMITTEE**

94. The Chair welcomed the Representatives of Member States (see Annex III for a List of Participants) and briefed them on issues discussed and deliberated by the Committee during its present session. Those issues included:
- Program Performance Report 2008/09
 - Validation of the Program Performance Report 2008/09
 - Strategic Realignment Program
 - Voluntary Separation Program
 - Meeting with the Director General and Senior Management Team
 - Internal Audit and Oversight Division (IAOD):
 - Internal Control and Gap Assessment
 - New Construction Project Risk Register

- IAOD Staffing
 - Follow-up on oversight recommendations
 - Investigations
 - Revision of the Internal Audit Charter
 - Meeting with the Staff Council
 - Ethics Office
 - Enterprise Resource Planning
 - New Construction Project
95. Details of the above-mentioned issues are found the body of the present report.
96. The Chair then moved to the question of follow-up on the Committee's Assessment Report (document WO/GA/34/2 and WO/GA/34/2 Corr.). He pointed out that since his and the Vice Chair's meeting with the Chair of the General Assembly last April, the Committee was unaware of developments regarding the General Assembly decision (document WO/GA/38/20, paragraph 30) on the composition and rotation of the Committee or its recommendations by the Working Group of the Program and Budget Committee established for that purpose, or the extended group under the chairmanship of the Chair of the General Assembly. He stated that the Committee stands by its recommendations and would again request Member States to act upon the decision of the General Assembly in 2009 also concerning the composition and rotation of the Committee membership. He reiterated the Committee's concerns regarding timing, continuity and the functioning of the Committee.
97. A number of Member States expressed their concerns regarding the present difficulties facing Member States in reviewing and examining the Committee's reports and recommendations. This was connected with the timetabling and time span of the Program and Budget Committee (PBC) and the inability of Member States to look in depth at the different items before the PBC. Others raised specific questions related to the briefing by the Chair of the Committee.
98. The Chair, Vice Chair and other members of the Committee responded to specific questions and among other things reminded the Representatives of Member States of the Committee's Assessment Report recommendation for the creation of a new layer of governance in WIPO that would have a smaller in membership than the PBC and which would meet more frequently.
99. There was an agreement that the Committee's interaction with Member States at the end of each of its quarterly meetings was beneficial and should continue.

AGENDA ITEM 14: OTHER MATTERS

100. The next meeting of the Committee is tentatively scheduled to take place between Monday, August 23 and Friday, August 27, 2010.

101. Subject to further discussion by the Committee, the draft Agenda for that meeting is anticipated to include:

1. Financial Management Report
2. External Audit of the New Construction Project
3. Strategic Realignment and Voluntary Separation Programs
4. Revision of the Internal Audit Charter
5. Enterprise Resource Planning
6. Follow-up on Meeting with Staff Council Representatives
7. Meeting with Member States

[Annex I follows]



WO/AC/17/1
ORIGINAL: ENGLISH
DATE: JULY 5, 2010

WIPO Audit Committee

Seventeenth Meeting Geneva, July 5 to 9, 2010

AGENDA

Adopted by the WIPO Audit Committee

1. Adoption of the Agenda
2. Executive Session
3. Meeting with the Staff Council
4. Meeting with the Director General and Senior Management Team
5. Strategic Realignment Program
 - A. Strategic Realignment Program Plan
 - B. Voluntary Separation Program
 - C. Ethics Office
6. Enterprise Resource Planning
7. Financial Management Report for the 2008/09 Biennium

/...

8. Program Performance Report for the 2008/09 Biennium; Evaluation
 - A. Program Performance Report 2008/09
 - B. Validation of the Program Performance Report 2008/09
 - C. Program Management and Performance Section Work Plan 2010/11
 - D. Evaluation
9. Revision of the Internal Audit Charter
10. Internal Controls:
 - A. Internal Control Gap Assessment
 - B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report
 - C. IAOD Work plans
 - D. Follow-up on Implementation of Oversight Recommendations
 - E. Update on Investigations
 - F. Internal Audit Reports
11. External Auditor:
 - A. External Auditor Selection Process
 - B. Meeting with the External Auditor
12. New Construction Projects
13. Meeting with Representatives of WIPO Member States; Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee
14. Other Matters

[End of document]

[Annex II follows]

LIST OF DOCUMENTS

Annotation used in this List

- * Draft document
- ** Issued after document receipt deadline but prior to AC/17 meeting
- *** Issued during AC/17 meeting
- † Issued during AC/17 meeting for confidentiality reasons

ITEM 1: ADOPTION OF AGENDA

WO/AC/17/1 Prov. 1 "Draft Agenda", dated June 28, 2010 * / **

ITEM 2: EXECUTIVE SESSION

No documents

ITEM 3: MEETING WITH THE STAFF COUNCIL

- Memorandum from Staff Council to Mr. Treen, dated May 28, 2010, "Draft Investigation Procedure Manual" ***
- Memorandum from Mr. Treen to the Staff Council, dated June 23, 2010, "Staff Council Comments on Draft Investigations Procedure Manual" ***
- Correspondence between Mr. Treen and the Staff Council: ***
 - Memorandum dated April 30 Nick Treen to President of Staff Council
 - e-mail dated April 30 from Jan Van Hecke to Nick Treen
 - e-mail dated April 30 from Nick Treen to Jan Van Hecke
 - Memorandum dated May 6 from Staff Council to Nick Treen
- Track changes version of Investigation Procedure Manual showing differences between Final Draft, dated April 26, 2010, Investigation Procedure Manual, dated July 2010 ***
- Staff Council Newsletter November 2009 ***
- April 2010 Newsletter from the Staff Council ***

ITEM 4: MEETING WITH THE DIRECTOR GENERAL AND SENIOR MANAGEMENT TEAM

“A Medium Term Strategic Plan for WIPO, 2010-2015. First Draft Presented by the Director General to Member States on May 27, 2010” *

ITEM 5: STRATEGIC REALIGNMENT PROGRAM

A. Strategic Realignment Program Plan

“Report on the Progress on the Strategic Realignment Program to the WIPO Audit Committee”, dated July 2010 **

Powerpoint presentation “Audit Committee Meeting. Progress on the Strategic Realignment Program”, dated July 2010 ***

B. Voluntary Separation Program

No documents

C. Ethics Office

Office Instruction OI 25/2010 “WIPO Ethics Office”, dated June 9, 2010

ITEM 6: ENTERPRISE RESOURCE PLANNING

No documents

ITEM 7: FINANCIAL MANAGEMENT REPORT FOR THE 2008/09 BIENNIUM

Draft Financial Management Report 2008/09 * / ***

ITEM 8: PROGRAM PERFORMANCE REPORT FOR THE 2008/09 BIENNIUM; EVALUATION

A. Program Performance Report

(i) Program Performance Report

WO/PBC/15/4: Program Performance Report for the 2008/09 Biennium

(ii) Validation report of the 2008-09 Program Performance Report

- WO/PBC/15/5: “Summary Validation Report on the Program Performance Report for 2008/09”, dated June 22, 2010 ***

- Evaluation Report IAOD/EVAL/10/1: “Validation of the 2008/2009 PPR”, dated June 4, 2010 ***

(iii) Program Management and Performance

Program Management and Performance Section (PMPS) Workplan ***

B. Evaluation

- Memorandum from Mr. Treen to the Director General "Evaluation Policy, Guidelines and Survey Results" dated May 4, 2010, with attachments:
 - Revised WIPO Evaluation Policy, dated May 4, 2010
 - Draft WIPO Independent Evaluation Guidelines, dated April 2010 *
 - WIPO Evaluation Policy, dated August 30, 2007
 - "IAOD Independent Evaluation Guidelines Survey Results: Summary"

ITEM 9: REVISION OF THE INTERNAL AUDIT CHARTER (IAC)

Memorandum from Mr. Treen to the Director General "WIPO Internal Audit Charter Revision", dated June 4, 2010, with attachments:

- "WIPO Internal Audit and Oversight Charter. Nick final draft 6" *
- Track changes version of "WIPO Internal Audit and Oversight Charter. Nick final draft 6" *
- Financial Regulations and Rules. Annex I. WIPO Internal Audit Charter

ITEM 10: INTERNAL CONTROLS

A. Internal Control Gap Assessment

IA/01/2010: "Review of Internal Control Review and Gap Assessment at WIPO", dated June 20, 2010, with covering Memorandum "Final Audit Report on the Internal Control Review and Gap Assessment at WIPO (IA/01/2010), from Mr. Treen to the Director General dated June 10, 2010

B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report

carried over from AC/16: "IAOD Quarterly Summary Report January-March 2010" and Transmittal Memorandum from Mr. Treen to the Director General, dated April 14, 2010.

C. IAOD Work Plans

carried over from AC/16: "Final Internal Audit Planning for the 2010/11 Biennium" and Transmittal Memorandum from Mr. Treen to the Director General, dated March 23, 2010

D. Follow-up on Implementation of Oversight Recommendations

- Office Instruction 16/2010: "Implementation of Oversight Recommendations. Reporting Procedures, Roles and Responsibilities", dated May 14, 2010
- Memorandum from Mr. Treen to the Director General "List of Outstanding Oversight Recommendations", dated June 14, 2010, with the following attachments:
 - "Status of Implementation of Oversight Recommendations as of June 14, 2010"
 - Excel Sheet "List of Oversight Recommendations June 2010"

E. Update on Investigations

- Memorandum from the Director General to Mr. Treen "IAOD Investigation Procedure Manual, dated April 21, 2010
- Memorandum from Mr. Treen to Mr. Roz "Details of Investigation Cases Requested by the Audit Committee", dated April 22, 2010. †
- Memorandum from the Director General to Mr. Treen "IAOD Quarterly Summary Report January - March 2010, dated April 23, 2010 (reference to Investigation Manual)
- Final Draft Investigation Procedure Manual (superseded), dated April 26, 2010, with covering memorandum from Mr. Treen to the Director General, dated April 30, 2010, and copy of "Uniform Guidelines for Investigators. 2nd Edition"
- Memorandum from Mr. Treen to the Director General, dated June 25, 2010, "IAOD Investigation Manual and Policy", with the following attachments:
 - Investigation Procedure Manual, dated July 2010
 - Draft WIPO Investigation Policy, dated July 2010
- IAOD Report INV/2008/07(NCP), with covering letter from the Director General to Mr. Roz, dated May 5, 2010. †
- "IAOD Investigation Section Costs" with covering memorandum from Mr. Treen to Mr. Roz, dated May 25, 2010. †
- "Memorandum from Mr. Treen to Mr. Roz, dated June 23, 2010 "Recommendations of the WIPO Audit Committee Sixteenth Meeting, Geneva, April 12-16. 2010" †

F. Internal Audit Reports

- *carried over from AC/16*: Document IA/04/2009: "Final Audit Report on the PCT Revenue Generation Process", and transmittal Memorandum, from Mr. Treen to the Director General, both dated November 4, 2009. (First issue: AC/15); and,
- *carried over from AC/16*: Document IA/06/2009: "Final Audit Report on the Revenue Generation Process for the Madrid and the Hague Systems", and transmittal Memorandum, from Mr. Treen to the Director General, both dated December 21, 2009.
- Document IA/03/2010: "Internal Audit Report. Follow Up Audit of IT Security and Access Controls", and transmittal Memorandum from Mr. Treen to the Director General dated June 10, 2010 †

ITEM 11: EXTERNAL AUDITOR

A. External Auditor Selection Process

- Letter from Mr. Roz to Mr. Favatier, dated May 18, 2010
- Letter from Mr. Favatier to Mr. Roz, dated June 3, 2010
- Letter from Mr. Roz to Mr. Favatier, dated June 18, 2010
- *Note Verbale* to WIPO Group Coordinators concerning Selection Panel, dated June 11, 2010

B. Meeting with External Auditor

- *carried over from AC/14*: Memorandum from Mr. Treen to the Director General, dated November 11, 2009 entitled "External Audit Report on the Evaluation of the Internal Audit Function in WIPO", with attachments:
 - "IAOD Comments/Action Plan on the External Audit Report of the Evaluation of the IA Function in WIPO", dated November 3, 2009, prepared by the Director, IAOD; and,
 - "Assessment of the Internal Audit Function. Report of the External Auditor to the WIPO General Assembly", dated August 11, 2009, prepared by the Swiss Federal Audit Office (English version and French original).
- *carried over from AC/16*: "The WIPO Oversight System. Cooperation and Allocation of Roles and Responsibilities between the Audit Committee and the External and Internal Auditors", prepared by Mr. Kurt Grüter, External Auditor, dated February 1, 2010; and,
- *carried over from AC/16*: "Cooperation and Allocation of Roles and Responsibilities between the External Auditor, the Internal Auditor and the WIPO Audit Committee", prepared by Mr. Pieter Zevenbergen, Audit Committee Member, transmitted April 7, 2010.

ITEM 12: NEW CONSTRUCTION PROJECTS

- Progress Report on the WIPO Construction Projects, dated June 28, 2010, issued for the Construction Committee by I. Boutillon (Secretary) **
- Progress Report by the Pilot, dated June 28, 2010 **
- WIPO Risk Register - updates No. 27, dated June 28, 2010 **
- Cashflow Projections for the New Construction Projects, dated July 6, 2010 ***

**ITEM 13: MEETING WITH REPRESENTATIVES OF WIPO MEMBER STATES;
FOLLOW-UP ON THE ASSESSMENT OF THE WORK AND OPERATIONS OF THE WIPO
AUDIT COMMITTEE**

No documents

[Annex III follows]

**Meeting with Representatives of WIPO Member States
July 9, 2010**

List of Participants

ANGOLA

Makiese KINKELA AUGUSTO, Third Secretary, Permanent Mission, Geneva

BANGLADESH

Faiyaz Murshid KAZI, First Secretary, Permanent Mission, Geneva

BELGIUM

Jean DE LANNOY, Second Secretary, Permanent Mission, Belgium

EGYPT

Mohamed GAD, First Secretary, Permanent Mission, Geneva

FRANCE

Albert ALLO, Counselor, Financial Affairs, Permanent Mission, Geneva

GERMANY

Heinjörg HERRMANN, Counselor, Permanent Mission, Geneva

Iliyana POPOVA, Intern, Permanent Mission, Geneva

INDIA

K. NANDINI (Mrs.), Counselor, Permanent Mission, Geneva

ITALY

Ranieri STEFANIELE, Permanent Mission, Geneva

MEXICO

José Ramón LÓPEZ, Second Secretary, Permanent Mission, Geneva

NEPAL

Devi Prasad Devi Prasad THAPALIYA, Intern, Permanent Mission, Geneva

OMAN

Fatima AL-GHAZALI, Minister Plenipotentiary, Permanent Mission, Geneva

SLOVENIA

Grega KUMER, Third Secretary, Permanent Mission, Geneva

SWITZERLAND

Alexandra GRAZIOLI (Ms.), Senior Legal Advisor, Swiss Federal Institute of Intellectual Property, Berne

SYRIAN ARAB REPUBLIC

Souheila ABBAS (Ms.), First Secretary, Permanent Mission, Geneva

TUNISIA

Mohamed Abderraouf BDIQUI, Counsellor, Permanent Mission, Geneva

[End of Annex III and of document]