

# WIPO



WO/AC/5/2

ORIGINAL: English

DATE: July 20, 2007

**WORLD INTELLECTUAL PROPERTY ORGANIZATION**  
GENEVA

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## **WIPO AUDIT COMMITTEE**

### **Fifth Meeting Geneva, July 9 to 12, 2007**

#### **REPORT**

1. The fifth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from July 9 to 12, 2007. Present were Messrs. Khalil Issa Othman (Chair), Pieter Zevenbergen (Vice Chair) Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Gian Piero Roz and Igor Shcherbak.
2. The Committee adopted the draft Agenda (Annex I).
3. The Committee was briefed by Messrs. Drage and Roz on the outcome of the meeting of the Working Group of the Program and Budget Committee, held on April 27, 2007, regarding the Review of the Terms of Reference of the Audit Committee, and by the Chair on a meeting between members of the Committee (the Chair, Messrs. Drage and Roz) and the WIPO Internal Project Steering Committee (IPSC) on the Desk-to-Desk Assessment Project, held on June 25, 2007, and on the Eleventh Session of the Program and Budget Committee, held from June 25 to 28, 2007.
4. The Committee received an Information Technology (IT) Audit Report, dated February 15, 2007, prepared by the External Auditor, which it will examine in a future session.
5. One member of the Committee participated in a briefing on Audit Committees of the Geneva Group by UN, WMO and WIPO’s oversight bodies. The Committee would welcome such briefings with other groups of Member States.

## **AGENDA ITEM 1: The New Construction Project**

6. The Committee was provided with the following documents by the WIPO Secretariat:
  - Progress Report on the New Construction Project, issued on June 21, 2007, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee;
  - WO/PBC/11/13: “Progress Report on the New Construction Project”, issued on June 12, 2007, by the WIPO Secretariat for the Eleventh Session of the Program and Budget Committee (June 25 to 29, 2007);
  - Charter for New Construction Project, version 5, issued on June 20, 2007, by Mr. Petit and Ms. Boutillon;
  - Charter for New Construction Project, showing changes between Versions 4 and 5, issued on June 20, 2007, by Mr. Petit and Ms. Boutillon;
  - WIPO Risk Register, dated June 20, 2007, prepared by Mr. Petit and Ms. Boutillon;
  - Pilot Risk Register, dated June 5, 2007, prepared by Burckhardt+Partner SA (the Pilot);
  - Monthly Reports for March, April and May 2007, from the Pilot; and,
  - Detailed Audit Report of New Construction Project, dated April 18, 2007, prepared by the Pilot (original in French and an English translation established by WIPO).
  
7. Further information and explanations were provided orally to the Committee by Mr. Petit and Ms. Boutillon, as well as Mr. Jean-Daniel Fehr, Project Director General and Mr. Jean-Noël Alaterre, Project Associate Director, Burckhardt+Partner SA (the Pilot).
  
8. The Committee recommends that:
  - (a) The security improvement costs related to the new building be submitted in a detailed budgetary format, together with the proposals related to sources of financing;
  - (b) The Secretariat prepare an analyzed consolidated budget of the new building, to include the associated costs such as security, financing, any additional staffing and contingency provisions, together with all contracting and subcontracting costs;
  - (c) The Secretariat take into account in negotiating the loan for the new building financing, the possibility of incurring finance charges between the date of entering into a contractually binding agreement with the bank or banks concerned, and actual facility draw down;
  - (d) The Secretariat and Pilot establish the necessary procedures for a dynamic follow-up, updating and monitoring of the risk registers, together with a mechanism to alert all parties concerned of problems that may have occurred, or changes made in the schedule of the Project.

## **AGENDA ITEM 2: The Desk-to-Desk Review**

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

- WO/PBC/11/14: “Progress Report on the Desk-to-Desk Assessment Project” (June 11, 2007), prepared by the WIPO Secretariat for the Eleventh Session of the Program and Budget Committee, June 25 to 28, 2007;
- Final Report on the Desk-to-Desk Assessment Project, prepared by PricewaterhouseCoopers (PwC), dated June 28, 2007; and,
- WIPO’s Human Resources Strategy – Preliminary Report (undated).

10. In June 2007, the Chair and two members of the Committee met twice informally with the WIPO Internal Project Steering Committee (IPSC) on the draft Final Report available at that time. They discussed with the IPSC the expected follow-up to the Report by the Secretariat.

11. The Committee was briefed by Mr. Richard Golding, Partner, and Mr. Kevin Delany, Partner, of PwC, and separately by Mr. Francis Gurry, Deputy Director General, and Chair of the WIPO Internal Project Steering Committee (IPSC) on the Desk-to-Desk Assessment Project. Members of the IPSC were present.

12. The Committee discussed various aspects of the contents of the Final Report with the representatives of PwC and the IPSC separately.

13. The IPSC delivered to the Committee on July 10, 2007, a document entitled “Preliminary Comments on the PwC Final Report”. The Committee expects that the Secretariat will provide official comments on the Report of PwC by August 10, 2007, as agreed by the IPSC during the discussion of this matter with the Committee.

14. The Committee’s views and recommendations will be submitted to the Program and Budget Committee at its meeting in September 2007.

## **AGENDA ITEM 3: Internal Audit and Oversight**

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

- Internal Audit and Oversight Division Quarterly Summary Progress and Activity Report, dated June 2007;
- Draft Strategy for Internal Audit at WIPO;
- Draft Detailed Annual Internal Audit Plan for 2007 for the Period July 1, 2007 to December 31, 2007;
- Internal Audit Approach for the New Construction Project;
- The Audit Program for the Review of WIPO Risk Registers for the New Construction Project; and,
- Draft List of Open Oversight Recommendations with Outstanding Implementation Status, dated July 1, 2007.

16. Further information and explanations were provided orally by Mr. Nicholas Treen, Director, Internal Audit and Oversight Division (IAOD).

## 17. Conclusions:

- (a) The Committee questioned whether its previous recommendations, especially those made at its fourth meeting in March 2007, had been acted upon;
- (b) The Committee continues to be concerned with the staffing situation in IAOD. A senior auditor was recruited, a senior evaluation officer is leaving, and the recruitment of an investigator is ongoing;
- (c) No 2007 plans setting out objectives, priorities and resources requirements for audit, inspection, investigation and evaluation are in place. Neither are there manuals for investigation and inspection;
- (d) The follow-up system, especially with regard to implementation of recommendations of oversight bodies, continues to lack certain specificities; and,
- (e) The Committee welcomed the initiative of the Director of IAOD to audit the risk registers of the New Construction Project and report to the Committee accordingly.

## 18. The Committee recommends that:

- (a) IAOD and the WIPO Secretariat embark on a more intensive recruitment process for vacant posts;
- (b) Member States endorse the request of the Secretariat to recruit the additional posts stipulated in the draft Program and Budget for 2008/09;
- (c) As recommended by the Committee in its previous session, the Director of IAOD start developing a strategic approach and rationale for his 2007 and 2008 plans, with a critical path analysis, setting out the objectives, priorities and resource requirements;
- (d) The Director of IAOD start working on manuals for investigation and inspection;
- (e) The Director of IAOD be enabled to outsource skills urgently required using funding available in respect of vacant posts;
- (f) The follow-up system on oversight recommendations has benchmarks for compliance, with dates. The accountability of managers for the respective recommendations is stressed; and,
- (g) All documents emanating from IAOD be numbered, dated and the name of the author be given to them.

**AGENDA ITEM 4: Follow-up on the review by the Working Group of the Program and Budget Committee of (a) Review of the Terms of Reference of the WIPO Audit Committee, and (b) Review of the WIPO Internal Audit Charter**

## 19. The Committee was provided with the following documents by the WIPO Secretariat:

- WO/PBC/WG/06/2: Report of the Working Group of the Program and Budget Committee, December 14, 2006 (Annex III – Statement by Chair on Terms of Reference of WIPO Audit Committee; Annex IV – Statement by Vice-Chair on the Internal Audit Charter);
- WO/PBC/WG/07/2: “Background Information”, prepared for the Working Group of the Program and Budget Committee, April 27, 2007;

- WO/PBC/WG/07/3: Report of the Working Group of the Program and Budget Committee, April 27, 2007; and,
- Draft document, dated July 11, 2007, showing proposed changes to the WIPO Internal Audit Charter by the WIPO Secretariat and the WIPO Audit Committee to be submitted to the Working Group of the Program and Budget Committee on September 10, 2007 (document WO/PBC/WG/2/07/2).

(a) Review of the Terms of Reference of the WIPO Audit Committee

20. As decided by the General Assembly at its Forty-first session (document A/41/10), the Committee continued its review of the Terms of Reference of Committee itself. In doing so, it took due note, in particular, of the comments and suggestions made by Member States at the Working Group of the Program and Budget Committee, held on April 27, 2007.

21. The draft revised Terms of Reference will be distributed to Member States in time for the September 2007 meetings of Working Group of the Program and Budget Committee, and of the Program and Budget Committee itself.

(b) Review of the WIPO Internal Audit Charter

22. Further information and explanations were provided orally by Mr. Nicholas Treen, Director, Internal Audit and Oversight Division (IAOD).

23. The Committee noted that its previous recommendations, which were presented to the Working Group of the Program and Budget Committee on December 14, 2006 (document WO/PBC/WG/06/2), were all included in the draft document, dated July 11.

24. The Committee recommends that this draft be submitted to Member States for their consideration.

**AGENDA ITEM 5: Draft WIPO Financial Regulations and Rules**

25. The Committee was provided with the following document by the WIPO Secretariat:

- WO/PBC/11/8: Revised Financial Regulations and Rules, prepared by the Secretariat for the Eleventh Session of the Program and Budget Committee, June 25 to 29, 2007.

26. The Committee noted that document WO/PBC/11/8 contained several changes as compared with the draft that the Committee reviewed in detail at its fourth meeting in March 2007. The Committee therefore requested that the Secretariat provide the Committee with a list of changes with an explanation of the reasons for the changes.

27. The Committee will undertake a further review of document WO/PBC/11/8 at its next meeting, subject to the receipt of this list.

## **AGENDA ITEM 6: Procurement**

28. The Committee was provided with the following documents:

- Report on Procurement Activities for 2006, dated February 21, 2007, prepared by the Procurement and Contracts Division;
- WIPO Procurement Manual, Version No. v.2006.02, issued August 23, 2006;
- Office Instruction No. 21/2006 Rev. - Procurement and Purchase General Principles, Framework and Procedures, issued August 23, 2006; and,
- Draft Procurement Process flow chart, version No. 0.6, dated July 9, 2007.

29. Further information and explanations were provided orally by Mr. Philippe Petit, Deputy Director General and Chairman, Contracts Review Committee, Mr. Jaime Sevilla, Director, Procurement and Contracts Division and Giorgio Fraternali, Deputy Director and Head, Evaluation and Contract Administration Section, Procurement and Contracts Division.

30. During the meeting, the Committee recommended that the information in the following pages/sections of the Procurement Manual be reviewed and corrected:

- Page 10, paragraph 49: the reference made to paragraph 4.2.2;
- Page 12, paragraph 62: provide comprehensive information on procedures of approval when obligations are in excess of CHF100,000; and,
- Paragraph 71: in situations where the Lead Agency is to sign a contract on behalf of the Secretariat in a joint procurement situation, the opinion of the Secretariat's legal counsel should be obtained before execution of the agreement.

31. The Committee noted that the Secretariat had based its draft Procurement Manual on Office Instruction No. 21/2006 Rev., and other UN models.

32. The Committee noted the explanations provided by the Secretariat on the methods of solicitation/threshold for tender procedure and the exemption clauses (pages 10 to 12, paragraphs 62 to 63) in the Manual.

33. The Committee observed that the procedures for appointing financial institutions for transactions of the Secretariat have not normally been subject to bidding. It was informed, however, that in the case of the loan to finance the construction of the new WIPO building, an open international tender procedure has been initiated and is currently in progress.

34. The Committee was informed that no risk register relating to procurement has yet been prepared, and its preparation is awaiting the report of the Internal Auditor on the review of the procurement process undertaken in June-July 2007. However, a risk register for the procurement process for the construction of the new WIPO building had been formulated.

35. The Committee recommends that:

- (a) The Internal Audit and Oversight Division monitor the actual implementation of the provisions of the Manual in the procurement process;
- (b) A log of all exemptions be maintained by the Procurement Division;

- (c) Normal bidding procedures apply for the selection of financial institutions for the Organization; and,
- (d) A risk register be developed for the risks affecting procurement and a framework for managing the identified risks.

**AGENDA ITEM 7: Other Matters**

36. The next session of the Committee will be held from for September 3 to 5, 2007.

37. Subject to further discussion by the Committee, the draft Agenda for the September 2007 session is anticipated to include:

1. The Desk-to-Desk Review
2. Internal Audit and Oversight
3. Terms of Reference of the WIPO Audit Committee
4. Financial Regulations and Rules
5. Other matters

[Annex follows]

**WIPO**



**WO/AC/5/1**

**ORIGINAL:** English

**DATE:** July 9, 2007

**WORLD INTELLECTUAL PROPERTY ORGANIZATION**  
GENEVA

**WIPO AUDIT COMMITTEE**

**Fifth Meeting**  
**Geneva, July 9 to 12, 2007**

AGENDA

*prepared by the Secretariat*

1. The New Construction Project
2. The Desk-to-Desk Review
3. Internal Audit and Oversight
4. Follow-up on the review by the Working Group of the Program and Budget Committee of:
  - (a) Review of the Terms of Reference of the WIPO Audit Committee
  - (b) Review of the Internal Audit Charter
5. Draft WIPO Financial Regulations and Rules
6. Procurement
7. Other matters

[End of Annex and of document]