

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE
Eighth Meeting
Geneva, February 18 to 21, 2008

REPORT

adopted by the WIPO Audit Committee

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INTRODUCTION

1. The eighth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from February 18 to 21, 2008. Present were Messrs. Khalil Issa Othman (Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Gian Piero Roz.
2. The Committee adopted the draft Agenda with modifications (Annex I).
3. The Committee was briefed by the Chair on his meeting with the WIPO Director General, as agreed by the Committee at its seventh meeting. The main purpose of the meeting was to convey to the Director General the position of the Committee that the WIPO leadership, and top management, should use the transitional period leading up to the election of a new Director General to develop an integrated program for organizational improvement, and a road map for implementation of that program showing organizational and resourcing requirements. He also drew the Director General’s attention to the Committee’s finding that it was “unsatisfactory that, *de facto*, IAOD was not functioning in accordance with its mandate and the needs of the Organization and will not be able to do so realistically for the foreseeable future” (document WO/AC/7/2).
4. The Chair also briefed the Committee on an Information Meeting for WIPO Member States on the Organizational Improvement Program, which took place on February 15, 2008, and which was also attended by Messrs. Pieter Zevenbergen (Vice Chair), George Haddad, Igor Shcherbak and Gian Piero Roz. At that Meeting, the Organizational Improvement Program Committee (OIPC) introduced the slide presentation for an Organizational Improvement Program (OIP) that it had previously presented to the Committee on December 4, 2007, as well as a response to the report of the seventh meeting of the Committee. The Chair of the Committee presented the views of the Committee. His statement is attached to this report (Annex II).

AGENDA ITEM 1

JOINT MEETING WITH THE CHAIR OF THE WIPO GENERAL ASSEMBLY
AND THE CHAIR OF THE WIPO COORDINATION COMMITTEE

5. The Chair of the Committee welcomed the Chair of the WIPO General Assembly, Ambassador Martin I. Uhomobhi, Permanent Representative, Permanent Mission of Nigeria in Geneva, and the Chair of the Coordination Committee, Dr. Hilde Janne Skorpen, Deputy Permanent Representative to the United Nations Office and the Conference on Disarmament, Permanent Mission of Norway in Geneva. The Chair of the Committee pointed to the importance of the interaction between their two offices and the Committee. He briefed them on the Committee’s involvement, since its inception, on the various items it has been seized with, especially the New Construction Project and the Desk-to-Desk Review, and drew their attention to the status of the Desk-to-Desk Review, as outlined in paragraphs 3 and 4, above. The Chair also reiterated the Committee’s mandate and role as an external independent review and advisory oversight body.

6. The Chair of the Coordination Committee briefed the meeting on the latest developments with regard to the selection of a new Director General, including the forthcoming WIPO Coordination Committee session on May 13 and 14, 2008, to nominate a candidate for that position, for appointment by the WIPO General Assembly in September 2008. She also spoke about possible selection criteria and methodologies. An exchange of views followed.

7. The Chair of the General Assembly briefed the Committee on certain issues considered at the last session of the WIPO General Assembly in September/October 2007, and on how all participants eventually contributed towards a more calm and peaceful atmosphere within the Organization. He informed the Committee that the forthcoming Assemblies of the Member States of WIPO on March 31, 2008, would deal with two items, namely: (i) Adoption of WIPO's Program and Budget for 2008/2009 and (ii) Any other matters. The Chair of the General Assembly emphasized the notion of continued confidence building and a healing process. He also emphasized the role of the WIPO Audit Committee as an external independent review and advisory oversight body, and the value of its work, including its findings and recommendations.

AGENDA ITEM 2

MEETING WITH THE EXTERNAL AUDITOR

8. The Committee met with the External Auditor, represented by Mr. Denys Neier, Federal Audit Office of the Swiss Confederation, who made a summary presentation of the topics that the External Auditor has been dealing with since 2006. The Committee noted that the emphasis of the External Auditor's work has been on compliance auditing whereas some of the problems facing WIPO over the last few years relate to issues of management performance and the lack of a proper internal audit function. The Committee expressed its desire to see the External Auditor engage itself more in addressing such issues.

AGENDA ITEM 3

DESK-TO-DESK REVIEW

9. Under this Agenda Item, the Committee reviewed the Organizational Improvement Program (OIP) in general, as well as related initiatives (PAS, FRR, ERP and ICT), some of which had already been commenced by the Secretariat prior to PricewaterhouseCoopers' (PwC) Final Report on the Desk-to-Desk Assessment of the Human and Financial Resources of WIPO.

A. ORGANIZATIONAL IMPROVEMENT PROGRAM (OIP)

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

Secretariat's Response to the Audit Committee's Report on the Desk-to-Desk Review

- Letter from Mr. Petit, Deputy Director General, dated February 7, 2008, to the Chair of the WIPO Audit Committee; and,
- Document entitled: “The Secretariat’s Response to the Audit Committee’s Report on the Desk-to-Desk Review (WO/AC/7/2, paragraphs 21 to 31)”.

Information Meeting for WIPO Member States on the Organizational Improvement Program

- Letter from Mr. Petit, Deputy Director General, dated February 8, 2008, to the Chair of the WIPO Audit Committee; and,
- Document ORGIP/IM/GE/08/2: “Organizational Improvement Program”, dated February 5, 2008, presented at an Information Meeting for WIPO Member States on the Organizational Improvement Program, February 15, 2008.

11. Further information was provided orally to the Committee by Mr. Petit, Deputy Director General and Chair, OIPC, and OIPC members.

12. Observations:

- (a) With regard to the Information Meeting for WIPO Member States on the Organizational Improvement Program, on February 15, 2008:
 - (i) The Secretariat, in its information document ORGIP/IM/GE/08/2 and subsequently through OIPC in its meeting with the Committee, intimated that the scope of the OIP was broadly unchanged and, indeed, the PowerPoint presentation as given on February 15, 2008, was almost identical to that delivered to the Audit Committee at its seventh meeting on December 4, 2007;
 - (ii) As mentioned in paragraph 4 above, immediately following the presentation of the OIP by the Secretariat, the Chair of the Committee made a statement, which is attached to this report for information purposes (Annex II); and,
 - (iii) Member States attending the Information Meeting on February 15, and making statements, supported the recommendations that the Committee made in its report of its seventh meeting, and requested certain information.
- (b) In effect, the OIP mainly comprises certain initiatives that the Secretariat had already commenced prior to PwC’s Final Report on the Desk-to-Desk Assessment of the Human and Financial Resources of WIPO.
- (c) During its eighth meeting, the Committee was told repeatedly by senior members of the Secretariat that the scope of and the planning for an integrated program of organizational improvement was necessarily limited by two key constraints:

- (i) the absence of approval by Member States of the revised Program and Budget for 2006/07, and the new Program and Budget for 2008/09, respectively; and,
 - (ii) the transitional period running up to the appointment of a new Director General.
- (d) The Committee did not find these two factors entirely convincing for the following reasons:
- (i) the Committee understood that there had not been such a precipitate decline in WIPO's business that it was unable to operate on the basis of its original 2006/07 budget. Moreover, reform can go hand in hand even with a reduction in budget, as has been the case in some other UN organizations; and,
 - (ii) the Committee continued to believe that leadership and top management were in a position to use their experience, knowledge of the Organization, and their response to PwC's Final Report, as well as subsequent Committee recommendations and General Assembly decisions, to start developing an integrated program for organizational improvement, and a roadmap for implementation of that program showing organizational and resourcing requirements.
- (e) With regard to separate and single initiatives/modules:
- (i) Reference is made elsewhere in this report to individual modules (for example, ERP and ICT) of the current OIP and it is clear from discussing these with the responsible Secretariat officials that the issue of intertwining these modules still needs to be addressed.
 - (ii) As pointed out in the report of its sixth meeting (document WO/AC/6/2), the Committee does not believe that WIPO as an organization will be able to operate successfully in the future "either as a series of silos or without the proper balance of accountability and competency of management and staff, supported by an open, fair and communicative culture within the framework of sensible risk management and internal control." In the view of the Committee, it is the very absence of these features, as highlighted in PwC's Final Report, that is an impediment to planning for and implementing the required integrated program for organizational improvement.
- (f) The possibility of a further open-ended meeting of Member States was discussed with the Secretariat, who indicated that such meeting might be arranged for the second quarter of 2008.

13. Recommendations:

- (a) Minutes of the Information Meeting held on February 15, 2008, be prepared and circulated to Member States and the Committee;

- (b) A further open-ended meeting of Member States be convened within the second quarter of 2008 to consider a further progress report on the OIP in the context of the decision made by the General Assembly, as well as recommendations already made by the Committee, and the requests made by Members States at the Information Meeting on February 15, 2008; and,
- (c) The Secretariat provides a progress report to the Committee for its next meeting in May 2008.

B. PERFORMANCE APPRAISAL SYSTEM (PAS)

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

“Proposal for the Enhancement of the Current Paper-based Performance Appraisal System (PAS)”, dated February 2008.

15. A presentation was made to the Committee by Mr. Toledo, Director, Human Resources Management Division, on the PAS proposal, following which the Committee raised a number of points, including one that appears below in paragraph 24(d)(iv), below.

16. Recommendation:

The Secretariat should review best practice in the UN system regarding PAS related recourse procedures in order to establish a mechanism for a fair, fast and simple resolution of disagreements between staff and supervisors outside of the heavy, time consuming and costly system of Administration of Justice.

C. NEW FINANCIAL REGULATIONS AND RULES (FRR)

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

Letter from Mrs. Graffigna, dated February 15, 2008, to the Chair of the WIPO Audit Committee, with attachments.

18. A presentation on the implementation of the new FRR was made to the Committee by Mrs. Graffigna, Executive Director and Controller, and Mrs. Bona, Head, Budget Section, Office of the Controller.

19. The Committee decided to follow up on that presentation at its next meeting.

D. ENTERPRISE RESOURCE PLANNING (ERP)

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

Document A/43/15: “Proposed Utilization of Available Reserves in the Medium Term”, presented to the Assemblies of the Member States of WIPO, held from September 24 to October 3, 2007. (Annex I of this document contains, *inter alia*, document

WO/PBC/12/4(c) "Implementation of an Enterprise Resource Planning (ERP) System", presented to the twelfth session of the Program and Budget Committee, September 11 to 14, 2007).

21. Further information was provided orally to the Committee by Mrs. Graffigna, Controller and Executive Director, and Mrs. Bona, Head, Budget Section, Office of the Controller.

22. The Committee noted that:

- (a) PwC's Final Report makes extensive reference to the need for the Organization to implement modern management systems;
- (b) The implementation of International Public System Accounting Standards (IPSAS) principles depends upon an upgrading of the ERP financial module already implemented by the Secretariat;
- (c) Certain projects included in the current OIP, and in particular the implementation of the FRR, the PAS and of a Human Resources strategy, depend upon the implementation of an ERP system; and,
- (d) ERP implementation and maintenance costs, and implementation risks, increase with customization of off-the-shelf packages.

23. Observations:

- (a) The implementation of an ERP system is a critical strategic business requirement for the Organization. However, the Secretariat seems to rely excessively on an ERP system for resolving management issues when, in fact, it is only a tool that cannot, by itself, resolve all managerial and business issues faced by WIPO;
- (b) While the project presented to Member States appears to be based on solid ground, the OIP draft plan shows a lack of integration between OIP initiatives and the ERP project;
- (c) Based on experience in both the private and public sectors, including UN system organizations, the risks associated with implementing an ERP system are extremely high. In particular, a move from the current manual and paper-based practices in WIPO to an ERP system implies drastic changes in staff and management work culture;
- (d) Management and ICT competency shortcomings at WIPO, as highlighted in PwC's Final Report, add an additional element of risk to the project;
- (e) Cost estimates (document WO/PBC/12/4(c)) for certain project elements, namely data conversion, reporting, and training, appear to be underestimated, and projected costs for system operation and maintenance, post-project implementation, are missing; and,

- (f) The timetable of the project is at risk as a result of the delay in approval of the project, or parts thereof; a risk compounded by the fact that no decision will be taken before the September 2008 Assemblies of WIPO Member States.

24. Recommendations:

- (a) The Secretariat should take advantage of the powerful reporting facilities that an ERP system could provide to Member States for on-line accessibility to up-to-date management information;
- (b) To ensure successful implementation of IPSAS as of January 1, 2010, priority be given by the Secretariat, in close consultation with other UN agencies using the same system, to upgrading, in 2009, ERP accounting software modules already in use, and proper financing be ensured by Member States for this part of the ERP project;
- (c) To improve project cost estimations, the Secretariat should include in the project proposal contained in document WO/PBC/12/4(c):
 - (i) initial estimates of legacy systems data preparation and clean up costs, and new data collection, based if necessary on the experience of other UN organizations with the same ERP system; and,
 - (ii) projected ongoing costs for ERP management and operations (hosting, staffing, maintenance, upgrades, training, reporting. etc) post-system implementation, taking into account any savings that may arise from discontinued use of current legacy systems, as well as the costs associated with hiring staff with new skills.
- (d) To ensure a cost-effective implementation of an ERP system, if approved by Member States:
 - (i) The authority and accountability for timely decision-making on issues that are bound to arise during system implementation should be entrusted with the Chair of the Project Board (document WO/PBC/12/4(c), paragraph 42);
 - (ii) Establishment of coordination mechanisms, by OIPC, to ensure close coordination between those involved in the various OIP projects (both current and future) and those implementing the ERP system, with a view to avoiding, in particular, potential costly system customization adjustments (see document WO/PBC/12/4(c) paragraph 36, third bullet);
 - (iii) Alignment, to the extent possible, by management, of the Organization's interpretation and application of UN common system staff and financial rules with those most commonly applied in the UN system and possibly already incorporated in the current version of the software; and,

- (iv) Confirmation that the proposed PAS system can be supported by the ERP without costly customization.
- (e) Implementation of the recommendations contained in the report of the seventh meeting of the Committee (document WO/AC/7/2) concerning ICT training for staff and verification of ICT-related competencies in staff recruitment and promotion, bearing in mind the ICT competencies needed in modern management systems and a change in work culture following implementation of an ERP system.

E. INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

25. The Committee was briefed orally, by: Mr. Gurry, Deputy Director General and Chair, IT Board; Mr. Yo Takagi, Executive Director, Office of Strategic Policy and Planning Department, and the WIPO Worldwide Academy, and IT Board Member; and, Mr. Neil Wilson, Director and Chief Information Officer, Information Technology Division, and IT Board Member.

26. The Committee noted that:

- (a) The Chief Information Officer was unaware of the recommendations made by the Committee at its seventh meeting on the IT Audit Report (document WO/AC/7/2), and consequently had not considered them as yet;
- (b) Although the IT strategy is part of the OIP, as presented to Member States, the IT Board does not expect to prepare such a strategy until an adequate business strategy is adopted for the Secretariat;
- (c) The IT Board had decided to concentrate on areas considered to be immediate business imperatives, and to prepare ground for future decision-making by the new management, such as 24/7 service availability; robust policy on business continuity; better disaster recovery; and, greater IT security; and,
- (d) ICT is simply a tool to implement the business plan of the Organization and depends upon the definition of such a plan.

27. Recommendations:

- (a) The Secretariat should consider the recommendations on ICT contained in the report of the seventh meeting of the Committee, and present an update to the Committee in time for its meeting in May 2008; and,
- (b) Pending the development of a comprehensive ICT strategy to support the business plan of the Organization, OIPC should develop an ICT plan to support and ensure integration of the various OIP projects.

AGENDA ITEM 4

THE NEW CONSTRUCTION PROJECT

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

Revised Budget for the New Construction Project

- Letter from Mrs. Graffigna, dated February 8, 2008, to the Chair of the Audit Committee, with the following Annexes:

Table 1: Revised Budget Estimate in Comparison to 2005 Budget Estimate and 2007 Audit by External Auditor;

Table 2: Difference between Revised Budget Estimate and 2005 Budget Estimate;

Table 3: Status of Disbursements;

Table 4: Funding of Amount to be Disbursed as of January 1, 2008;

Table 5: Difference between Revised Budget Estimate and 2007 Audit by the External Auditor.

Progress Report

Progress Report on the New Construction Project, dated February 12, 2008, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee.

Risk Registers

- WIPO Risk Register version 5, dated January 31, 2008, by Mr. Petit and Ms. Boutillon; and,
- Pilot Risk Registers, December 2007 (updated January 8, 2008) and January 2008 (updated February 5, 2008), prepared by Burckhardt+Partner SA (“the Pilot”).

Contract with the General Contractor

Copy of the contract between WIPO and the General Contractor, as signed on February 8, 2008.

Internal Audit of WIPO Risk Registers

- “Audit Approach for the New Construction Project”, prepared by the Internal Audit and Oversight Division, presented to the Audit Committee at its fifth meeting, July 9 to 12, 2007: and,
- IAOD/IA/02/2007: “Final Audit Report. Review of the WIPO Risk Registers of the New Construction Project”, dated December 17, 2007, prepared by the Internal Audit and Oversight Division.

Pilot Monthly Reports

Pilot Monthly Reports for December 2007 and January 2008.

29. Further information and explanations were provided orally to the Committee by: Mr. Petit, Deputy Director General and Chair, Construction Committee; Ms. Boutillon, Secretary, Construction Committee; Mrs. Graffigna, Executive Director and Controller; Mrs. Bona, Head, Budget Section, Office of the Controller; Mr. Favatier, Director, Finance Department, Office of the Controller; Mr. Sevilla, Director, Procurement and Contracts Division, General Affairs and Administration Sector; Mr. Escudero, Head, Contracts and General Legal Section, Office of the Legal Counsel; and, Mr. Efendioglu, Senior Internal Auditor, Internal Audit and Oversight Division.

30. Observations:

- (a) With regard to financing the New Construction Project, the Committee was informed that currently interest at the rate of 3.5% was being earned on the main bulk of WIPO's reserves (deposits at the Swiss Federal Bank) and interest at the estimated rate 4.5% would be payable on any amount drawn down under the construction loan bank facility during the construction phase. Accordingly, at this point in time, there would be a significant financial benefit in financing the New Construction Project as far as possible from reserves rather than using the loan facility (taking into account the need to retain a level of reserves for financial prudence and other potential demands for utilization of reserves). The Secretariat pointed out that the subject of utilization of reserves would be discussed with Member States at the next session of the Program and Budget Committee, which the Committee was informed is anticipated to take place in the first half of September 2008.
- (b) In respect of the costs of security for the new building, the External Auditor had estimated that a sum of CHF8 million would need to be provided for, based on extrapolating estimates used by the World Trade Organization (WTO) for its buildings (which also have a main road frontage). This estimate included some provision for perimeter security. In the cost of the contract with IMPLENIA, the General Contractor, the cost of reinforced windows and facades had been taken into account in the amount of approximately CHF2.5 million, but not other measures recommended by the UN Headquarters-Minimum Operating Security Standards (H-MOSS). This means that the revised budget estimate, as provided by the Secretariat, of CHF153.6 million for the General Contractor, Honoraria and Related Costs to Security, could be increased further in the amount of approximately CHF5.5 million to account for the new building's share of perimeter security cost for the whole WIPO site. However, the Committee was informed that discussions are in progress with the Swiss Federal Authorities with regard to perimeter security and further, Member States' approval for the security upgrading project as a whole is required. Accordingly, it was not possible at this time for the Secretariat to provide further budgetary precision.
- (c) Of the aggregate cost, indicated by the Secretariat, of CHF178 million for the New Construction Project, including, *inter alia*, the purchase of land and loan interest during the construction phase, there remains to be financed either by the construction loan, or from reserves, approximately CHF142 million of which approximately CHF116 million would be due to the General Contractor. This amount to be financed could be increased to over CHF155 million to take into account perimeter security and contingencies.

- (d) What was not clear to the Committee, however, was when disbursements would be made (allowing for certification by the Pilot), how disbursements would be accounted for, and how much of the expenditure to be financed through the bank loan or reserves would still need to be authorized by Member States. The Committee noted that the format of this reporting was likely to be modified after the introduction of IPSAS in January 2010, due to the changes in accounting that will be introduced at that time.
- (e) The Committee was advised that because the contract with the General Contractor had not been signed until February 8, 2008 (as opposed to the original intention of signature in mid-December 2007), the General Contractor, requiring time for preparation, would not actually commence construction operations until April 7, 2008, and was expected to conclude these operations by October 8, 2010.
- (f) It was noted by the Committee that the risk registers prepared by the Pilot and the WIPO Construction Committee would take into account the contracts signed by WIPO with the bank and the General Contractor in the next updating of the registers, and would be circulated to the Committee accordingly.
- (g) The Committee was informed that the Pilot and the Internal Project Monitoring Team were currently in discussions with regard to establishing a cost control system, and information on this would also be provided to the Committee for its next meeting.
- (h) The Committee noted the content of the internal audit report on the risk registers and made a number of observations. This report, along with other internal audit matters, will be dealt with further during the Committee's meeting in May 2008 (see also paragraph 38).

31. Recommendations:

- (a) Cash flow projections for the life of the New Construction Project are prepared indicating: the disbursement profile on a quarterly basis; the finance source; and, providing bases and assumptions for the projections;
- (b) Project accounts are established to show the budgeted expenditure profile on a quarterly basis to be compared with actual costs, with variance analysis, again providing bases and assumptions underlying the projected budget costs;
- (c) Indication is provided in a consolidated manner under all sources of funding of how the New Construction Project has been and will be accounted for in biennial accounts, with an explanation where appropriate of the IPSAS impact; and,
- (d) The Secretariat provides an analysis, under all sources of funding, of what expenditures had been approved by Member States, and those expenditures that still needed to be approved.

AGENDA ITEM 5

OTHER MATTERS

A. INDUCTIONS

32. The Committee benefited from an induction on the Patent Cooperation Treaty presented by Mr. Francis Gurry, Deputy Director General. This induction was part of a series of knowledge sharing sessions designed to apprise Committee members of Secretariat activities.

33. The Committee would like to benefit from an induction on the work of the Technical Assistance and Capacity Building Sector, and on the WIPO Development Agenda, possibly at its next meeting.

B. STAFF-MANAGEMENT RELATIONS

34. As decided at its seventh meeting (document WO/AC/7/2), the Committee met with Staff representatives and management.

35. The Committee was informed by the President of the Staff Association Council that:

- (a) The membership of the Staff Association has grown considerably over the last few months reaching about 700 members;
- (b) The staff were concerned by what was considered a lack of transparency in the promotion and appointment process of new staff—areas in which consultation with management proceeded slowly—and that the current system of creating *ad hoc* appointment boards had perpetuated the direct recruitment practices of the past in certain cases;
- (c) A recent judgment by the ILO Administrative Tribunal seemed to confirm the validity of the staff concerns;
- (d) Staff representatives had been involved from an early stage in the project for the creation of a new Performance Appraisal System; and,
- (e) The Director of the Human Resources Management Division had established good relations and consultation with the Staff representatives.

36. The Director of the Human Resources Management Division informed the Committee that:

- (a) Many actions had been taken in the past two years to improve staff-management relations, including:
 - (i) issuance of a circular on appointments and promotions, including short-term employees;

- (ii) access by staff representatives to the electronic version of the staffing table of the organization;
 - (iii) classification of posts conducted by an expert external to the Organization;
 - (iv) creation of three appointment and promotion bodies; and,
 - (v) establishment of a more effective system of internal justice.
- (b) In the 2006/07 biennium, 141 staff had been promoted, which represents more than 15% of the staff. The promotion in the Professional and General Service categories were made on the basis of the recommendations of the Promotion Advisory Boards;
- (c) The backlog in reclassifications was due to an unprecedented huge inflow of recommendations and that more than about 100 such recommendations still had to be considered by the External Classifier or by the Classification Committee, or by both;
- (d) In 2006-2007, about 120 posts had been advertised. During the same period, 107 appointments were made, of which about 80% were to internal candidates. About 60% of these appointments were for various categories of temporary employees; and,
- (e) The long-standing issue of temporary staff performing core functions could only be addressed incrementally, also through budgetary measures (creation of posts).

37. The Committee noted that:

- (a) Lack of confidence in administrative procedures continues to be high due to a perceived lack of transparency of the procedures. This was particularly apparent in the area of promotion and appointment;
- (b) The statutory consultation process foreseen in the Staff Regulations and Rules, namely the Joint Advisory Committee (JAC), did not seem to operate according to best practice in the UN system. The JAC had met only occasionally and the staff representatives had not requested it to meet more frequently; and,
- (c) The ad-hoc composition of the appointment and promotion bodies was not in line with UN system best practice and contributed to the lack of confidence in the appointment and promotion system.

38. Recommendation:

The Organization should urgently align itself with best practices in the UN system, in particular the UN Secretariat, in the areas of statutory staff management consultations and transparent appointment and promotion procedures, at all levels, including the D1 and D2 levels, adopting *mutatis mutandis* existing Office Instructions.

C. INTERNAL AUDIT AND OVERSIGHT

- (a) Internal Memorandum dated January 24, 2008, from the Director of the Internal Audit and Oversight Division to the Chair of the WIPO Audit Committee

39. The Committee was apprised of the contents of an Internal Memorandum, dated January 24, 2008, from the Director of the Internal Audit and Oversight Division to the Chair of the Committee, commenting on text related to Internal Audit and Oversight in the report of the seventh meeting of the Committee (document WO/AC/7/2). Due to the absence of the Director of IAOD, the Committee deferred its discussion on the contents of his Memorandum, and decided to review the work of the Internal Audit and Oversight Division at its next meeting in May 2008.

- (b) Final Audit Report: Review of the Procurement System and Procedures, dated December 19, 2007, prepared by the Internal Audit and Oversight Division

40. The Committee decided to review this Report at its next meeting.

D. NEXT MEETING

41. The next meeting of the Committee is tentatively scheduled for May 19 to 22, 2008.

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

1. Review of the work of the Internal Audit and Oversight Division (including the Procurement Audit Report)
2. Desk-to-Desk Review
3. New Construction Project
4. Other matters

[Annex I follows]

WIPO



WO/AC/8/1

ORIGINAL: English

DATE: February 18, 2008

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

E

WIPO AUDIT COMMITTEE

Eighth Meeting
Geneva, February 18 to 21, 2008

AGENDA

adopted by the WIPO Audit Committee

1. Joint meeting with the Chair of the WIPO General Assembly and the Chair of the WIPO Coordination Committee
2. Meeting with the External Auditor
3. Desk-to-Desk Review
4. New Construction Project
5. Other matters

[Annex II follows]

ANNEX II

INFORMATION MEETING TO MEMBER STATES ON
THE ORGANIZATIONAL IMPROVEMENT PROGRAM
FEBRUARY 15, 2008

STATEMENT MADE BY THE
CHAIR OF THE WIPO AUDIT COMMITTEE

I should like to thank the Secretariat for this important Information Meeting, and for inviting the Audit Committee to attend.

Our purpose here is not to enter into further discussion with the WIPO Secretariat at this Information Meeting. We will do that next week. It is mainly to give additional background information on the Audit Committee's involvement in the Desk-to-Desk Review, and to present some general remarks.

On background, I start by saying that the same slide presentation was presented to the Audit Committee back on December 4, 2007. The second point is about our reports and the legislative bodies that take action on them.

References are made in documents before the meeting to our previous reports, mainly the sixth report, presented to the General Assembly, and the seventh report, which has not yet been formally presented to the Program and Budget Committee.

I must stress that our reports are formally presented to the Program and Budget Committee and/or the General Assembly, who take action on them, as in the case of our sixth report, when the General Assembly adopted the Committee's recommendations on the Desk-to-Desk review, which called upon the Secretariat to:

- (i) develop a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC's Final Report, and as recognized by the Secretariat in its report. That was to be done on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent); and,
- (ii) prepare a road map for the implementation of the program showing the organizational and resourcing requirements.

However, our last report and its findings and recommendations on the Desk-to-Desk review, which is the subject of Annex V "The Secretariat's Response to the Audit Committee's last Report on the Desk-To-Desk Review (WO/AC/7/2 paragraphs 21 to 31)" of document ORGIP/IM/GE/08/2, has not been submitted to Member States for their action. It will be submitted, together with the report of our eighth meeting to the forthcoming meeting of the Program and Budget Committee for its action.

As to the Committee's last meeting, I would like to recall that, in its letter of November 28, 2007, the Secretariat proposed that it present to the Committee a "draft Program" as a slide presentation and that the Organizational Improvement Program Committee (OIPC) would

further develop the Program taking into account the Committee's observations and recommendations.

Our observations and recommendations on the Secretariat's presentation and the discussions that followed are reflected in the report of our seventh meeting (WO/AC/7/2 of December 18, 2007), which was then circulated by the Secretariat to all Member States. I urge distinguished representatives to examine that report again.

More recently, we received two communications from the Secretariat, the first dated February 7, 2008, attaching "The Secretariat's Response to the Audit Committee's Report on the Desk-To-Desk Review (WO/AC/7/2 paragraphs 21 to 31)" and the second, dated February 8, 2008, transmitting the Organizational Improvement Program, with an Explanatory note and Annexes (the document which has just been introduced by the Secretariat).

Those documents were distributed to members of the Audit Committee. We were able individually to read those documents and formulate certain observations and comments. But the Committee as a whole will not meet in formal session until next week, from 18th to 21st February, when it will again listen to and interact with WIPO officials and formally pronounce itself on the matter and submit our additional findings and recommendations.

Although we, as a Committee, have not had the benefit of a collective position, which has always been taken through consensus, I might venture and submit the following general remarks:

- (1) We, as a review and external oversight body, and within our mandate, have been associated with the Desk-to-Desk review since the Committee's inception. The Committee has advanced its views, and submitted its recommendations to Member States and the Secretariat through its periodic reports. Our involvement is continuous.
- (2) The thrust of our orientation has been to place the question of the Desk-to-Desk review within the context of reform and management change, a trend which has been prevalent within the UN system organizations for some time.
- (3) As far as WIPO is concerned, we have taken the position, which was subsequently confirmed by Member States and the Secretariat, that the broad thrust of the external consultant, PwC's Final Report, particularly in terms of its recommended actions did provide a platform for introducing an integrated program for organizational improvement. This was in line with the welcome given to the report by the Secretariat.
- (4) That was the framework within which we reached our conclusions and recommendations on the draft Program and slide presentation by the Secretariat during our seventh meeting.
- (5) We should recall that a number of initiatives undertaken by the Secretariat were already underway even prior to PwC's Final Report. We think there was an agreement that those initiatives and others will not by themselves constitute a comprehensive integrated program for organizational change.

- (6) Hence the emphasis on three major components of reform and change, namely:
- Leadership and Management;
 - Human Resources; and,
 - Organizational Processes and Systems.
- (7) The draft Program presented to us by the Secretariat back on 4th December 2007, did not meet, as described in our report, the requirements that would qualify it as an integrated program for organizational change on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent), nor did it present a road map for implementation of the program showing the organizational and resourcing requirements.
- (8) We are aware of the constraints faced by the Secretariat, including the transitional period running up to the appointment of a new Director General; the delays in approving the Program and Budget, and the time constraints. We discussed this at length with the Organizational Improvement Program Committee during our last meeting. The option of “business as usual” was not entertained. Limiting oneself to initiatives underway was not sufficient. As stated in our previous report, those initiatives have substantial challenges and risks, which will need careful management. A further level of complexity is imposed by the need to integrate each of these modules with each other. Therefore, we believe that the Secretariat and especially top management, through its experience and tapping of resources from within and possibly outside could make more progress on establishing and implementing an integrated program for organizational improvement.

Finally, we will be meeting next week on Monday, and will carry on with our task of reviewing the progress made in implementing the Desk-to-Desk review recommendations and the General Assembly decision, and future actions needed. We will formally report to the Program and Budget Committee. This will cover both our seventh and eighth meetings.

[Annex III follows]

ANNEX III

LIST OF ACRONYMS

ERP	Enterprise Resource Planning
FRR	Financial Regulations and Rules
HRMD	Human Resources Management Division
IAOD	Internal Audit and Oversight Division
ICT	Information and Communication Technologies
IPSAS	International Public System Accounting Standards
OIP	Organizational Improvement Program
OIPC	Organizational Improvement Program Committee
PAS	Performance Appraisal System
PwC	PricewaterhouseCoopers

[End of Annex III and of document]