

## **WIPO Independent Advisory Oversight Committee**

**Twenty-Fourth Session**  
**Geneva, March 27 to 30, 2012**

REPORT

*Adopted by the WIPO Independent Advisory Oversight Committee*

## CONTENTS

|  |   |
|--|---|
| Introduction .....   | 3 |
| Agenda Item 1: Adoption of the Agenda .....  | 3 |
| Agenda Item 2: Meeting with the Director General .....                                       | 3 |
| Agenda Item 3: WIPO Governance .....   | 3 |
| Agenda Item 4: Meeting with the New External Auditor .....                                   | 4 |
| Agenda Item 5: Meeting with the New Director of the Internal Audit and Oversight Division .. | 4 |
| Agenda Item 6: Follow-Up on Oversight Recommendations .....                                  | 4 |
| Agenda Item 7: Secretariat Presentation on Risk Management .....                             | 5 |
| Agenda Item 8: Ethics .....  | 6 |
| Agenda Item 9: Information Session for Member States .....                                   | 6 |
| Agenda Item 10: Other Matters .....  | 6 |

## INTRODUCTION

1. The 24<sup>th</sup> session of the WIPO Independent Advisory Oversight Committee (hereinafter referred to as “the Committee” or “IAOC”) took place from March 27 to 30, 2012. Present were Ms. Maria Beatriz Sanz Redrado (Chair), Mr. Fernando Nikitin (Vice Chair), Messrs. Anol Chatterji, Kjell Larsson, Nikolay Lozinskiy, Ma Fang and Ms. Mary Ncube.

### AGENDA ITEM 1: ADOPTION OF THE AGENDA

2. The Committee adopted the draft Agenda without modification (see Annex I).
3. Documents presented to the Committee are listed in Annex II.

### AGENDA ITEM 2: MEETING WITH THE DIRECTOR GENERAL

4. The Committee met with the Director General and discussed follow-up on high risk oversight recommendations, human resources management and implementation of Strategic Realignment Program activities. In response to questions from the Committee, the Director General outlined the Organization’s approach to investment and also informed the Committee that he had assumed the Chair of the WIPO ICT Board in view of the critical importance of ICT to WIPO’s operations.

### AGENDA ITEM 3: WIPO GOVERNANCE

5. A key element of good governance is effective and efficient oversight. This necessitates ongoing cooperation between the three oversight bodies, namely the Internal Audit and Oversight Division (IAOD), the External Auditor and the IAOC. As such, the Committee has decided to focus first of all on improved coordination and strengthening of the oversight architecture, an issue identified by the IAOC as a root cause for most of the recommendations on governance issued by the former Committee membership.

6. At its 21<sup>st</sup> session, the IAOC had proposed revisions to the Internal Oversight Charter, the terms of reference governing External Audit and the IAOC’s terms of reference, to which the Secretariat had responded. At its present session, the Committee discussed internally the Secretariat’s responses, including the implications of direct reporting by the External Auditor and the Director of the Internal Audit and Oversight Division (IAOD) to the General Assembly, and the possibility of direct reporting by the IAOC to the General Assembly whereby it could make observations and recommendations from a wider perspective of governance issues.

7. The IAOC’s proposed revisions with modifications made at its present session are attached to this report as Annex III. The Committee agreed with the External Auditor and the Director of IAOD to undertake a joint review of these revisions at its 25<sup>th</sup> session in May, with a view to submitting to the September 2012 session of the Program and Budget Committee a joint proposal for revisions to the Internal Oversight Charter, the terms of reference governing External Audit and IAOC’s terms of reference. The proposed revisions would align the role and functions of the Internal Audit and Oversight Division (IAOD), the External Auditor and the IAOC with the standards of the Institute of Internal Auditors (IIA) and International Organization of Supreme Audit Institutions (INTOSAI), as applicable.

#### AGENDA ITEM 4: MEETING WITH THE NEW EXTERNAL AUDITOR

8. The Committee met with the new External Audit Team from the Office of Comptroller & Auditor General of India.

9. The newly appointed External Auditor had just begun their exercise of “understanding the entity”. The Committee plans to meet both the outgoing and incoming External Auditors at its next session in May to discuss the WIPO Financial Statements for 2011, evaluation of internal controls and any other matters relating to key issues facing WIPO.

#### AGENDA ITEM 5: MEETING WITH THE NEW DIRECTOR OF THE INTERNAL AUDIT AND OVERSIGHT DIVISION

10. The Committee met with the new Director of the Internal Audit and Oversight Division (IAOD), the Head of the Internal Audit Section, the Head of the Evaluation and Inspection Section and the Acting Head of the Investigation Section.

11. The Director of IAOD presented IAOD’s 2012 work plan. He informed the Committee that he would undertake a review of the plan at the end of the summer. He also indicated that the Teammate software would be used at a later stage to assist with formalizing a risk profile of WIPO, which would also facilitate risk-based work planning pending the introduction of Enterprise Risk Management (ERM) at WIPO.

12. The Committee reviewed the WIPO draft Investigation Policy and made a number of comments. Additional IAOC comments would be communicated to the Director of IAOD in writing. The Director of IAOD said that he would take these comments into account when finalizing the Policy and that he planned to undertake a review of the WIPO Investigation Manual following finalization of the Policy.

#### AGENDA ITEM 6: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

13. The Committee continued discussions with the Director of IAOD, the Head of the Internal Audit Section and a consultant from the Internal Audit Section.

14. The IAOC was informed that, as of March 31<sup>st</sup>, 85 oversight recommendations remained open<sup>1</sup> and that a new category of “closed without implementation” had been introduced. Six high risk recommendations had been “closed without implementation”.

15. The Committee undertook a preliminary review of the six high risk recommendations and was of the opinion that the underlying reason for closure had not been adequately documented. It further concluded that the issues contained within the six recommendations continued to remain of high risk and therefore merited further information from the Secretariat on: (i) compensatory controls; (ii) criticality analysis by the Secretariat; and, (iii) formalized proof that the Secretariat assumes the risk of not taking corrective action on reported findings.

16. In this connection, the IAOC recalled its proposed guidelines on monitoring the implementation of oversight recommendations, annexed to the report of its 23<sup>rd</sup> session. In particular, paragraph 25 and Table 2 of the proposed guidelines provide for formal risk

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<sup>1</sup> This compares with 134 recommendations reported by IAOD as open on January 31, 2012.

acceptance procedures. The Committee noted that these guidelines had not been reflected in the recent closure of the six high risk recommendations mentioned above.

17. Consequently, the Committee would like to receive from the Secretariat Management for its 25<sup>th</sup> session in May detailed reasoning behind the decision to close these six recommendations together with an appreciation of the residual risk. An explicit statement that the residual risk is considered acceptable by the Director General should be included.

18. The Committee further wishes to see the establishment of formal risk acceptance procedures for very high risk or high risk recommendations closed without implementation.

#### AGENDA ITEM 7: SECRETARIAT PRESENTATION ON RISK MANAGEMENT

19. The Committee met with the Chief Financial Officer (Controller), the Director of the Resource Planning, Program Management and Performance Division, and a consultant from the Strategic Realignment Program Project Management Office.

20. The Committee observed that the Organization was in final contract negotiations with a professional services company (hereinafter referred to as “partner”) specializing in risk management and internal controls, which would be contracted to work jointly and closely with WIPO to complete SRP initiative 15: a five phase project to strengthen risk management and internal controls at WIPO, championed by the Director General.

21. The Secretariat made a presentation on risk management as requested by the IAOC at its 22<sup>nd</sup> session. The Committee discussed internally the presentation and noted the following issues which it plans to follow up on with the Secretariat:

- The presentation indicated that a Risk Management Framework had been developed and that it had yet to be validated by the partner, as specified in the draft deliverables document reviewed by the Committee.
- In one year’s time, a “deep dive” restricted to the Administration and Management Sector only was planned, which would serve as a pilot. It was unclear from the presentation whether implementation after the pilot would be Organization-wide or phased.
- The presentation indicated that the Risk Management Framework would include a definition of “risk appetite”. The manner in which this should be done is part of the project and will be discussed with the partner.
- An Internal Control Policy has yet to be developed and is part of the project scope of phase 4.

22. The Committee also observed that:

- The Organization is planning to introduce coordinated, formalized risk management practices across the Organization rather than a full Enterprise Risk Management (ERM).
- The significance of risk identification has explicitly been recognized by the Organization, and risk registers have been developed for a number of organizational units across the Organization.

23. These issues will be further discussed with senior management at the IAOC’s next session in May.

#### AGENDA ITEM 8: ETHICS

24. The Committee met with the Chief of Staff and the Chief Ethics Officer and was informed that:

- A WIPO Code of Ethics had been issued as part of an Office Instruction on February 1, 2012.
- A draft Whistleblower Protection Policy had been circulated to WIPO staff for comment.
- Consultations on a draft Financial Disclosure Policy have been launched.
- The introduction of an Ethics Helpline was being considered.

25. The Committee looks forward to an update on the work of the Ethics Office at its 26<sup>th</sup> session in November.

#### AGENDA ITEM 9: INFORMATION SESSION FOR MEMBER STATES

26. An Information Session for Member States was held, attended by representatives of 20 Member States. The Committee briefed the representatives on discussions at its present session as outlined in this report.

#### AGENDA ITEM 10: OTHER MATTERS

27. The Committee's next session is scheduled to take place from Tuesday, May 28 to Friday, June 1, 2012. The draft Agenda for that meeting is anticipated to include:

1. Meeting with the Director General
2. WIPO Governance
3. Tripartite Meeting with the External Auditor and the Director of IAOD
4. WIPO Financial Statements for 2011
5. Internal Audit and Oversight Division
6. Follow-up on Oversight Recommendations
7. Risk Management
8. WIPO Ombuds-function
9. Information Session for WIPO Member States
10. Other Matters

[Annex I follows]



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## **WIPO Independent Advisory Oversight Committee**

**Twenty-Fourth Session  
Geneva, March 27 to 30, 2012**

### AGENDA

*adopted by the WIPO Independent Advisory Oversight Committee*

1. Adoption of the Agenda
2. Meeting with the Director General
3. WIPO Governance
4. Meeting with the new External Auditor
5. Meeting with the new Director, Internal Audit and Oversight Division
6. Follow-up on Oversight Recommendations
7. Secretariat Presentation on Risk Management
8. Ethics
9. Information Session for WIPO Member States
10. Other Matters

[Annex II follows]

## LIST OF DOCUMENTS

### Agenda item 3

#### WIPO GOVERNANCE

Draft Report of the 18<sup>th</sup> session of the Program and Budget Committee (WO/PBC/18/22 Prov., paragraphs 30 to 89)

IAOC Proposed Revisions to the Annexes of the WIPO Financial Regulations and Rules (WIPO Internal Audit Charter, Terms of Reference of External Auditor and IAOC)

Secretariat Comments on IAOC Proposed Revisions to the Annexes of the WIPO Financial Regulations and Rules (WIPO Internal Audit Charter, Terms of Reference of External Auditor and IAOC)

“WIPO Governance Structure”, (WO/PBC/18/20)

Report of the WIPO Audit Committee since 2008 (WO/GA/38/2)

Convention Establishing the World Intellectual Property Organization

WIPO Financial Regulations and Rules

### Agenda item 4

#### MEETING WITH THE EXTERNAL AUDITOR

IAOC Proposed Revisions to the Annexes of the WIPO Financial Regulations and Rules (WO/IAOC/21/2, Annex III)

### Agenda item 5

#### MEETING WITH THE NEW DIRECTOR, INTERNAL AUDIT AND OVERSIGHT DIVISION

##### A. IAOC Proposed Revisions to the WIPO Internal Oversight Charter

IAOC Proposed Revisions to the Annexes of the WIPO Financial Regulations and Rules (WO/IAOC/21/2, Annex III)

##### B. IAOD Work Plan, Functions and Processes

IAOD 2012 Work Plan

IAOD Organigram

IAOD Program Performance Report for 2010-2011

IAOD Budget 2012-2013



IAOD Budget and Expenditure as of March 23, 2012

IAOD status of work table

IAOD Client satisfaction form

An updated anonymous analysis of open investigations

Memorandum on the Investigation Policy, dated June 25, 2010

WIPO draft Investigation Policy

WIPO Investigation Manual

Agenda item 6

FOLLOW UP ON OVERSIGHT RECOMMENDATIONS

A. Oversight Recommendations Follow-up System

IAOC "Proposed Guidelines and Criteria for the Monitoring of the Implementation of Oversight Recommendations at WIPO"  
(WO/IAOC/23/2, Annex III)

Office Instruction No.16/2010 "Implementation of Oversight Recommendations. Reporting Procedures, Roles and Responsibilities", dated May 14, 2010

B. Status Report on Open Oversight Recommendations

Memorandum "Oversight Recommendations – January 2012 update" from Mr. Rajaobelina, Director, IAOD to the Director General, dated February 17, 2012 (Statistics on Oversight Recommendations as at January 31, 2012)

Updated table of open recommendations, dated March 31, 2012

Agenda item 7

SECRETARIAT PRESENTATION ON RISK MANAGEMENT

Powerpoint Presentation "Risk Management and Internal Controls", March 2012

Formalization of an Internal Control System at WIPO: Project Deliverables

COSO paper "ERM. Understanding and Communicating Risk Appetite", dated January 2012

Agenda item 8

ETHICS

Office Instruction No. 4/2012 “WIPO Code of Ethics”, dated  
February 1, 2012

Draft Whistleblower Protection Policy

Other Documents:

Quarterly Progress Report on the New Construction Projects, dated March 12, 2012

Strategic Realignment Progress Report March 2012

2011 Annual Report on Administration of Justice, dated March 1, 2012

Internal Audit Report IA/07/2011 “Review of Software Asset Management”, dated  
March 16, 2012

[Annex III follows]

IAOC PROPOSED REVISIONS TO THE WIPO INTERNAL OVERSIGHT CHARTER,  
THE TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT AND  
THE TERMS OF REFERENCE OF THE IAOC  
(Annexes I, II and III of the WIPO Financial Regulations and Rules)

WIPO INTERNAL OVERSIGHT CHARTER\*

**A. INTRODUCTION**

1. This Charter constitutes the framework for the Internal Audit and other Oversight functions<sup>1</sup> of the World Intellectual Property Organization (hereinafter referred to as “WIPO”) and establishes its mission: to examine and evaluate, in an independent manner, WIPO’s control and business systems and processes, and to provide recommendations for improvement, thus providing assurance and assistance to management and staff in the effective discharge of their responsibilities and the achievement of WIPO’s mission, vision, objectives, outcomes and goals. The purpose of this Charter is also to help strengthen accountability, value for money, stewardship, internal control and corporate governance in WIPO.

**B. OVERSIGHT DEFINITIONS**

2. (a) Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.<sup>2</sup>

(b) Evaluation is a systematic, objective and impartial assessment focused on whether expected accomplishments and results have been achieved. It aims at determining the relevance, impact, effectiveness, efficiency and sustainability of WIPO objectives, programs and activities.<sup>3</sup> Evaluation provides evidence-based information that is credible, reliable and useful, with findings, recommendations and lessons learnt, informing the learning and decision-making processes of WIPO and helping to hold WIPO accountable to its Member States<sup>4</sup>.

(c) Investigation is a formal fact finding inquiry to examine allegations of misconduct and wrongdoing in order to determine whether they have occurred and if so, the person or persons responsible.

(d) An inspection is a review conducted on an ad hoc basis whenever there is a strong indication that a wasteful use of resources or poor management of performance has occurred. The review provides a diagnosis of the issues concerned and proposes remedial measures.

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<sup>1</sup> The oversight functions of Internal Audit, Inspection, Evaluation and Investigation. Evaluation is also the subject of a specific policy framework outside this Charter.

<sup>2</sup> This is the official definition of Internal Auditing, as established by the Institute of Internal Auditors (IIA). The Code of Ethics and the Auditing Standards for Internal Auditing applied at WIPO are those of the IIA. For Evaluation, Investigation and Inspection the standards applied are those developed and used by the UN, e.g. by UNEG, the JIU and the Uniform Guidelines for Investigations.

<sup>3</sup> Evaluation of extra-budgetary activities may be carried out at the request of, and in cooperation with, concerned parties.

<sup>4</sup> This definition draws on Regulation 7.1 of Article VII of ST/SGB/2000/8 and from the widely accepted Principles for Evaluation of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD DAC).

## C. MANDATE

3. The Internal Audit and Oversight function provides the Management of WIPO with systematic assurance, analyses, appraisals, recommendations, advice and information, through the undertaking of independent internal audits, evaluations, inspections and investigations. Its objectives include endeavoring to ensure cost-effective control, and identifying means for improving WIPO's effectiveness, efficiency, economy and rationalization of the internal procedures and use of resources, as well as ensuring compliance with WIPO's Financial Regulations and Rules, Staff Regulations, Staff Rules, relevant General Assembly decisions, the applicable accounting standards and the Standards of Conduct for the International Civil Service, as well as best practice.<sup>5</sup>

## D. AUTHORITY AND PREROGATIVES

4. The Director of the Internal Audit and Oversight Division (hereinafter referred to as "Director, IAOD") is responsible to the Director General ~~and is part of the WIPO staff but not management~~. The Director, IAOD, enjoys functional and operational independence from the Secretariat and Management in the conduct of his/her duties. He/she reports administratively to the Director General. In the exercise of his/her functions, he/she takes advice from the WIPO Independent Advisory Oversight Committee (hereinafter referred to as "IAOC"). He/she has the authority to initiate, carry out and report on any action, which he/she considers necessary to fulfill his/her mandate. The Director, IAOD shall receive requests for his/her services from the Director General, to be included in the workplans, ~~but he/she should be free to carry out any action within the purview of his/her mandate~~. The Director shall submit annual workplans to the IAOC for its information and review. The workplans of the Director, IAOD shall be based on a risk assessment, to be carried out at least annually, on which basis work would be prioritized by the Director, IAOD. In this process, the Director, IAOD shall take into account the comments of ~~the Director General and Member States~~, the IAOC and from the Director General and Management.

5. The Director, IAOD and oversight staff shall conduct internal audit and oversight work in a professional, impartial and unbiased manner. Conflicts of interest should be avoided. Significant and material conflicts of interest are required to be reported to the ~~IAOC Independent Advisory Oversight Committee~~ who shall recommend such actions that may be needed to mitigate and reduce the undesirable effects of any conflicts of interest. The Director, IAOD and oversight staff will perform all internal audit and oversight work with due professional care and in accordance with good practice and advice recommended by the Institute of Internal Auditors, the norms and standards for UN evaluation, the Uniform Guidelines for Investigations and other

### IAOC comments on paragraph 4:

The Director of the Internal Audit and Oversight Division is part of management in the sense that he/she has a staff to manage and to supervise. Part of his evaluation as internal audit director will be as manager of his team (promoting internal audit, supervising, training, etc.). He/she should be evaluated as such. He/she is a key player as a manager and as such needs to set tone at the top in regards to ethical behavior, and be exemplary in following the internal rules and in sharing WIPO values. Besides, he/she is part of the internal control system. Clearly his/her position needs to be sufficiently defined to ensure he/she is independent. The paragraph could mention that he/she is not part of operational management.

The International Internal Audit Standards specify in Standard n°1110 – Organizational Independence "The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

### IIA Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- Approving the internal audit charter;
- Approving the risk based internal audit plan;
- Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;
- Approving decisions regarding the appointment and removal of the chief audit executive; and
- Making appropriate inquiries of management and the chief audit executive to determine whether there is inappropriate scope or resource limitations.

<sup>5</sup> Conversely, the independent External Audit function is performed according to the terms of reference described in the WIPO Financial Regulations and Rules. WIPO's External Auditor is appointed by the WIPO General Assembly for a term of office of six years non renewable consecutively.

guidance standards and norms generally accepted and applied by the UN system organizations<sup>6</sup>.

6. The Director, IAOD and oversight staff shall be independent of all WIPO programs, operations and activities he/she audits, to ensure impartiality and credibility of the work undertaken.

7. For the performance of his/her duties, the Director, IAOD shall have unrestricted, unlimited, direct and prompt access to all WIPO records, officials or personnel, holding any WIPO contractual status, and to all the premises of WIPO. The Director, IAOD shall have access to the Chairs of the General Assembly, the Program and Budget Committee and the [IAOC Independent Advisory Oversight Committee](#).

8. The Director, IAOD shall be available to receive directly from individual staff members and personnel complaints or information concerning the possible existence of fraud, waste, abuse of authority, non-compliance with rules and regulations of WIPO in administrative, personnel and other matters or other irregular activities relevant to the mandate of the Director, IAOD. The Director, IAOD will liaise regularly with [all other internal providers of assurance services to ensure the proper coordination of activities the WIPO \(External Auditor, Office of the Ombudsman and the Ethics Office\)](#) ~~to avoid duplication of activities~~. Relevant internal whistle-blowing policies and procedures shall be developed, established and applied in conjunction with this Charter.

Comment on paragraph 8: IIA Standard 2050 – Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts

9. The right of all staff and personnel to communicate confidentially with, and provide information to the Director, IAOD, without fear of reprisal, shall be guaranteed by the Director General. This is without prejudice to measures under WIPO Staff Regulations and Staff Rules, where information is transmitted to the Director, IAOD with knowledge of its falsity, or with willful disregard of its truth or falsity.

10. The Director, IAOD shall respect and keep the confidential nature of any information gathered or received that is applicable to an internal audit, evaluation, investigation or inspection, and shall use such information only in so far as it is necessary for the performance of these functions.

## **E. DUTIES AND MODALITIES OF WORK**

11. The Director, IAOD contributes to the efficient management of the Organization and the accountability of the Director General to the Member States.

12. To carry out his/her mandate, the activities of the Director, IAOD shall encompass in particular the undertaking of management audits, performance audits, financial audits, compliance audits, value-for-money audits, evaluations, performance reviews, inspections and investigations.

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<sup>6</sup> This includes good practice, codes of ethics, guidelines and standards agreed by the Representatives of the Internal Audit Services (RIAS) of the UN; the United Nations Evaluation Group (UNEG); and the Conference of International Investigators (CII).

13. To effectively implement WIPO's Internal Audit and Oversight functions, the Director, IAOD shall:

- (a) Establish long- and short-term flexible Internal Audit and Oversight plans in coordination with the External Auditor, using risk-based methodology, to include any risks or control issues identified, [to be reviewed by the IAOC](#).
- (b) In consultation with Member States, establish clear policies and guidelines for all oversight functions i.e., internal audit, evaluation, investigation and inspections. The policies and guidelines will provide clear rules and procedures on the access to reports while ensuring rights to due process and the preservation of confidentiality.
- (c) Prepare, publish, disseminate and maintain an internal audit manual; an evaluation manual and an investigation procedures manual. This shall include the terms of reference of the individual oversight functions and a compilation of audit, evaluation, inspection and investigation procedures.
- (d) Establish and maintain follow-up systems to determine whether effective action has been taken, following the Director, IAOD's oversight recommendations, within a reasonable time, and periodically report [to Member States, the IAOC and the Director General](#) on situations where adequate, timely corrective action has not been implemented.
- (e) Liaise and coordinate with the External Auditor and monitor the follow-up of their recommendations.
- (f) Liaise and cooperate with the Internal Audit and Oversight services of other Organizations within the United Nations system and of Multilateral Financial Institutions, and represent WIPO in relevant inter-agency meetings.
- (g) Develop and maintain a quality assurance/improvement program covering all aspects of Internal Audit, including periodic internal and external review and ongoing self-assessments, ~~such as tracking time taken to produce reports~~ [in accordance with the International Standards for the Professional Practice of Internal Auditing](#).

Comment on sub-paragraph 13(g): Standard 1300 – Quality Assurance and Improvement Program. The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

1310 – Requirements of the Quality Assurance and Improvement Program  
The quality assurance and improvement program must include both internal and external assessments

1311 – Internal Assessments  
Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

1312 – External Assessments  
External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The chief audit executive must discuss with the board:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest

14. In particular, the Director, IAOD shall assist WIPO by performing the following:

- (a) Review and appraise the reliability, effectiveness and integrity of WIPO's internal control mechanisms.
- (b) Review and evaluate the adequacy of organizational structures, systems and processes to ensure that the results are consistent with the objectives established.
- (c) Assess and evaluate the effectiveness of WIPO in meeting its objectives and achieving results and, as required, recommend and suggest better ways of achieving such results, taking into account good practices and lessons learned.
- (d) Review and appraise systems aimed at ensuring compliance by WIPO staff with WIPO's Rules, Regulations and established internal policies.
- (e) Review and evaluate the effective, efficient and economical use, and the safeguarding of human, financial and material resources of WIPO.

- (f) Determine the extent to which assets are accounted for and safeguarded from loss.
- (g) Identify and evaluate significant exposure of WIPO to risk and contribute to the improvement of risk management.
- (h) Undertake, when required, any investigation pertaining to cases of alleged misconduct, wrongdoing or malfeasance falling within the mandate of the Director, IAOD.
- (i) Undertake *ad hoc* inspections to identify vulnerable areas and malfunctions.
- (j) Ensure completeness, timeliness, fairness, objectivity and accuracy in the reporting of internal audits, investigations, evaluations and inspections.

## F. REPORTING

15. At the end of each audit, evaluation, inspection or investigation, a report shall be issued, which shall present the objectives, scope, methodology, findings, conclusions and recommendations of the specific activity concerned and include, if applicable, recommendations for improvements and lessons learnt from the program, person or activity.

*Comment on Section F IAOC should receive at least the executive summary of all communications and work done by IAOD. This includes internal audits, investigations, evaluations, inspections and any other work carried out by IAOD.*

16. Draft internal audit, evaluation and inspection reports shall be presented to the program manager and other relevant officials directly responsible for the program or activity that has been the object of the internal audit, inspection or evaluation, who shall be given the opportunity to respond within the term provided therein.

17. Final internal audit, evaluation and inspection reports shall include any relevant comments from the managers concerned on the facts established within the audit, evaluation and inspection reports and, if applicable, on the recommended plans of action, as well as on any timetable established for implementation purposes [and the management responsible for the implementation of specific action plans](#). Should the Director, IAOD and the program manager be unable to agree on the facts evidenced in draft audit, inspection and evaluation reports, the final reports shall reflect the opinion of the Director, IAOD. The managers concerned shall have the opportunity to comment on the reports and the Director, IAOD, shall have the opportunity to reply to the comments [that will be reflected in the final report](#).

18. The Director, IAOD shall submit final internal audit and oversight reports to the Director General. Internal audit, evaluation and inspection reports will be copied to the [IAOC Independent Advisory Oversight Committee](#). The External Auditor shall also receive a copy of internal audit, evaluation and inspection reports, along with any supporting documentation they may require. Permanent Representatives of Member States to WIPO or their designates can read final internal audit and oversight reports in the Director, IAOD's office.

19. [The External Auditor and the IAOC shall have access to investigation reports.](#)

20. The Director, IAOD may also issue communications concerning oversight matters to any concerned WIPO manager for matters of a minor or routine nature, which do not necessitate formal reporting.

21. All investigation reports, drafts, materials, findings, conclusions and recommendations are fully confidential, unless disclosure is authorized by the Director, IAOD or the Director General.

22. The Director, IAOD shall submit final investigation reports to the Director General. For final investigation reports involving WIPO personnel at the Deputy Director General and Assistant Director General levels, the Director, IAOD may also send a copy to the Chair of the General Assemblies, to the Chair of the [IAOC Independent Advisory Oversight Committee](#) and



to the External Auditors. Should the investigation concern the Director General, the final report shall be submitted by the Director, IAOD, to the Chairman of the WIPO Assemblies, for any action deemed appropriate, and copied to the Chair of the [IAOC Independent Advisory Oversight Committee](#) and the External Auditors.

23. The Director General is responsible for ensuring that all recommendations made by the Director, IAOD are responded to promptly, indicating actions taken [by management](#) regarding specific report findings and recommendations.

24. The Director, IAOD shall present, on an annual basis, a report to the Director General, [with a copy to the IAOC](#), regarding the implementation of recommendations made by the External Auditor.

25. The Director, IAOD shall [present](#) ~~make a presentation~~ on a regular basis [a status report on annual workplans on his/her activities](#) to the Program and Budget Committee.

26. The Director, IAOD shall present, on an annual basis, a summary report to the [IAOC with a copy to the](#) Director General ~~with a copy to~~ [and to](#) the External Auditor ~~and the Independent Advisory Oversight Committee~~, of his/her internal audit and oversight activities, including the orientation and scope of such activities, the schedule of work undertaken and progress on the implementation of prioritized recommendations contained in his/her reports. This summary report shall be presented to the WIPO General Assembly [and the IAOC](#) as submitted by the Director, IAOD. Comments the Director General may deem appropriate may be submitted in a separate report.

Comment on paragraph 25

It should be considered that the IAOC can obtain the following information:

- Key performance indicators
- Results from any internal/ external evaluation

See IIA Practice Advisory 1310 on quality program assessments

27. When applicable, the annual report shall include the following:

(a) A description of significant problems, abuses and deficiencies relating to the administration of WIPO in general, or a program or operation in particular, disclosed during the period.

(b) A description of all final recommendations for corrective action made by the Director, IAOD during the reporting period relative to the significant problems, abuses or deficiencies identified.

(c) A description of all recommendations which were not approved by the Director General, together with his/[her](#) reasons for not doing so.

(d) An identification of each significant recommendation in previous reports on which corrective action has not been completed.

(e) A description and explanation of the reasons for any significant revised management decision made during the reporting period.

(f) Information concerning any significant management decision with which the Director, IAOD is in disagreement.

(g) A summary of any instance where information or assistance requested by the Director, IAOD was refused.

(h) A summarized version of the report submitted by the Director, IAOD to the Director General regarding the implementation of recommendations made by the External Auditor.

(i) In addition, the Director, IAOD shall comment on the scope of his/[her](#) activities and the adequacy of resources

Comment on paragraph 26

See IIA Practice Advisory 1310 and 1311 Internal Assessments

It should be considered that the IAOC can obtain the following information:

- to what extent the audit plan has been completed,
- the number of recommendations issued, accepted/rejected, implemented fully/partially/non implemented
- Residual risks not covered by the organization and main WIPO risks
- Results of ongoing assessment, internal /external evaluation
- Staff budgeted versus real
- CHF allocated versus real expenditures



for the purpose intended, and should confirm the independence of the internal audit function annually, and report any threat to or interference with the independence of the internal audit activity.

## **G. RESOURCES**

28. In presenting Program and Budget proposals to the Member States, the Director General shall take into account the need to ensure the operational independence and the necessary resource requirements to ensure the effective functioning of the Director, IAOD and his/her capacity to achieve the required objectives of his/her mandate. The allocation of resources to the Director, IAOD shall be clearly identified in the Program and Budget proposal.

29. The Director General, in consultation with the IAOC and the Director, IAOD, will ensure that the WIPO Internal Audit and Oversight functions comprise sufficient professional staff, appointed in accordance with WIPO Staff Regulations and Staff Rules, with sufficient skills, experience and professional knowledge, and promote continuing professional development to meet the requirements of this Charter.

## **H. APPOINTMENT AND DISMISSAL OF THE DIRECTOR, IAOD**

30. The Director, IAOD should be a person with high qualifications and competence in auditing and oversight functions. The recruitment of a Director, IAOD shall be based on an open, transparent international selection process to be provided by the Director General, in consultation with the IAOC.

31. The appointment, replacement or dismissal of the Director, IAOD shall be formally made by the Director General, taking into account the advice of the Coordination Committee and the IAOC. ~~The Director General shall keep the Independent Advisory Oversight Committee informed of such actions~~

32. The Director, IAOD will have a non renewable fixed term of office of five years. On completion of the fixed term of office he/she would not be eligible for any further employment in WIPO.

## **I. REVISION CLAUSE**

33. This Charter shall be subject to review every three years or earlier, if necessary. Amendments to the Charter shall ensure that it remains an overarching framework for all internal oversight activities.

## TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT

1. The External Auditor shall perform such audit of the accounts of WIPO and of the Unions administered by WIPO, including all trust funds and special accounts, as he/[she](#) deems necessary in order to assure himself:
  - (a) that the financial statements are in accord with the books and records of WIPO;
  - (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
  - (c) that the securities and monies on deposit and on hand have been verified by certificate received direct from WIPO's depositaries or by actual count;
  - (d) that the internal controls are adequate in the light of the extent of reliance placed thereon;
  - (e) that procedures satisfactory to him have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Director General and may proceed to such detailed examination and verification as he/[she](#) chooses of all financial records including those relating to supplies and equipment.
3. The External Auditor and his/[her](#) staff have free access at all convenient times to all books, records and other documentation which are, in the opinions of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Director General (or his designated senior official) agrees is necessary for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his/[her](#) staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Governing Bodies concerned of WIPO and all interested Unions, [and of the WIPO Independent Advisory Oversight Committee \(IAOC\)](#), to any denial of information classified as privileged which in his/her opinion was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director General for appropriate action any transaction concerning which he/[she](#) entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Director General [and to the IAOC](#).
5. The External Auditor shall express and sign an opinion on the financial statements of WIPO. The opinion shall include the following basic elements:
  - (a) the identification of the financial statements audited;
  - (b) a reference to the responsibility of WIPO's management and the responsibility of the External Auditor;
  - (c) a reference to the audit standards followed;
  - (d) a description of the work performed;

- (e) an expression of opinion on the financial statements as to whether:
  - (i) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
  - (ii) the financial statements were prepared in accordance with the stated accounting policies; and
  - (iii) the accounting policies were applied on a basis consistent with that of the preceding financial period.
- (f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
- (g) the date of the opinion;
- (h) the External Auditor's name and position; and
- (i) should it be necessary, a reference to the report of the External Auditor on the financial statements.

6. The Report of the External Auditor on the financial operations of the period should mention:

- (a) the type and scope of his/[her](#) examination;
- (b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
  - (i) information necessary to the correct interpretation of the accounts;
  - (ii) any amounts which ought to have been received but which have not been brought to account;
  - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
  - (iv) expenditures not properly substantiated;
  - (v) whether proper books of accounts have been kept. Where, in the presentation of statements, there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
- (c) other matters which should be brought to the notice of the Governing Bodies concerned of WIPO and all interested Unions, [and of the IAOC](#), such as:
  - (i) cases of fraud or presumptive fraud;
  - (ii) wasteful or improper expenditure of WIPO's money or other assets (notwithstanding that the accounting for the transaction may be correct);
  - (iii) expenditure likely to commit WIPO to further outlay on a large scale;
  - (iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
  - (v) expenditure not in accordance with the intention of the Governing Bodies concerned of WIPO and all interested Unions after making allowance for duly authorized transfers within the budget;

- (vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
  - (vii) expenditure not in conformity with the authority which governs it;
- (d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

- (e) transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the Governing Bodies concerned of WIPO (including the IAOC) and all interested Unions should have early knowledge.

7. The External Auditor may make such observations with respect to his/[her](#) findings resulting from the audit and such comments on the Director General's financial report as he/[she](#) deems appropriate to the Governing Bodies concerned of WIPO and all interested Unions, [and of the IAOC](#), or the Director General.

8. Whenever the scope of audit of the External Auditor is restricted, or whenever the External Auditor is unable to obtain sufficient evidence, he/[she](#) shall refer to the matter in his/[her](#) opinion and report, making clear the reasons for his/[her](#) comments and the effect on the financial position and the financial transactions as recorded.

9. In no case shall the External Auditor include criticism in his/[her](#) Report without first allowing the Director General an adequate opportunity of explanation on the matter under observation.

TERMS OF REFERENCE OF  
THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE\*

**A. PREAMBLE**

1. In September 2005, the WIPO General Assembly approved the proposal of the Working Group of the Program and Budget Committee on the establishment of a WIPO Audit Committee in accordance with Annex II, A/41/10. ~~In September 2010, the WIPO General Assembly approved proposals contained in document WO/GA/39/13 to change the title of the Committee into the Independent Advisory Oversight Committee and amend its composition and rotation procedures.~~ The WIPO General Assembly approved revisions to the terms of reference as follows: in September 2007, to the proposals contained in document WO/GA/34/15; in September 2010, to the proposals contained in document WO/GA/39/13; in September 2011, to proposals contained in document WO/PBC/16/3 Rev.; [and in October 2012 to proposals contained in document WO/PBC/19/[xx]]

**B. FUNCTIONS AND RESPONSIBILITIES**

2. The Independent Advisory Oversight Committee of WIPO, which is a subsidiary body of the Program and Budget Committee, is an independent, expert advisory and external oversight body established to provide assurance to Member States on the appropriateness and effectiveness of internal controls at WIPO. It aims to assist Member States in their role of oversight and for better exercise of their governance responsibilities with respect to the various operations of WIPO. Its mandate is as follows:

(a) Promoting internal control by:

- (i) Systematic appraisal of management's actions to maintain and operate appropriate and effective internal controls;
- (ii) Contributing, through its scrutiny function, to the maintenance of the highest possible standards of financial management and the handling of any irregularities;
- (iii) Reviewing the operation and effectiveness of the Financial Regulations;
- (iv) Reviewing management's assessment and approach to risk;
- (v) Reviewing arrangements for checks and balances in areas such as ethics, financial disclosure, fraud prevention and misconduct.

(vi) Reviewing and recommending for the approval of the Program and Budget Committee the annual plans of the various WIPO oversight functions.

(b) Focusing assurance resources by:

- (i) Reviewing and monitoring the effectiveness of WIPO's internal audit function;
- (ii) Exchanging information and views with the external auditor, including his/her audit plan;
- (iii) ~~Promoting effective coordination of activities between the internal and external audit function;~~ Reviewing the collective oversight coverage of various WIPO functions, including *inter alia*, the Internal Audit and Oversight Division, the Office of the Ombudsman, the Ethics Office and the Office of the Chief Financial Officer (Controller);
- (iv) Confirming audit and assurance arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the General Assembly.

- (c) Overseeing audit performance by:
- (i) Monitoring the timely, effective and appropriate responses from management with regard to audit recommendations;
  - (ii) Monitoring the implementation of audit recommendations;
  - (iii) Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations.
- (d) ~~The Assisting the Program and Budget Committee may~~ from time to time on any specific requests that it may have, including oversight of the Independent Advisory Oversight Committee to review or oversee particular activities and projects.
- (e) The Independent Advisory Oversight Committee shall: ~~make recommendations to the Program and Budget Committee on issues within the terms of reference of the Independent Advisory Oversight Committee, as it considers appropriate.~~
- (i) Review, at least every three years, the content of the Financial Regulations and Rules including its Annexes “WIPO Internal Oversight Charter” (Annex I), “Terms of Reference Governing External Audit” (Annex II), and “Terms of Reference of the WIPO Independent Advisory Oversight Committee” (Annex III), for compliance with the International Standards for the Professional Practice of Internal Auditing and make recommendations to the Program and Budget Committee.
  - (ii) Review the results of the internal and ongoing quality self-assessments of the assurance/improvement program<sup>7</sup> and, at least every five years, the results of external independent reviews, in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
  - (iii) Review, at least every five years, the performance of the external auditors.

### C. MEMBERSHIP AND QUALIFICATIONS

3. As of February 2011, the Independent Advisory Oversight Committee will be composed of seven members, from each of the seven geographical regions of WIPO Member States. The seven members will be nominated by the Program and Budget Committee following a selection process carried out by a Selection Panel set up by the Committee for this purpose, to be assisted by the current WIPO Independent Advisory Oversight Committee. However, in case there is no candidate who meets the criteria established by the Selection Panel in accordance with the General Assembly decision (recorded in paragraph 30, document WO/GA/39/14) as contained in paragraphs 14, 15, 21, 22 and 26 of document WO/GA/39/13, available from any region, the position would be filled in by the highest ranking candidate in the Independent Advisory Oversight Committee’s assessment irrespective of his or her regional representation. As per document WO/GA/39/13, the services of the two external experts of the existing Independent Advisory Oversight Committee will be retained until the end of 2011. The external experts will have no right to vote.

4. The rotation mechanism for the Independent Advisory Oversight Committee members will be as follows:

- (i) No member of the Independent Advisory Oversight Committee shall serve for more than six years in aggregate;

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<sup>7</sup> [As stated in the Institute of Internal Audit Standards and Practice Advisory 1310-1 Quality Program Assessments, PA1311-1 Internal Assessments and PA1312-1 External Assessments as adapted to the provisions of the Standards applicable to the United Nations and its Specialized Agencies.](#)

- (ii) Four members of the new Independent Advisory Oversight Committee, starting in February 2011, would serve a term of three years, renewable once and for a final term;
- (iii) Three members of the new Independent Advisory Oversight Committee would serve a term of three years, non-renewable;
- (iv) The term of the new members would be determined by drawing of lots at the first meeting of the Independent Advisory Oversight Committee in 2011;
- (v) After the first three-year period, all members of the Independent Advisory Oversight Committee would be nominated for a term of three years, renewable once, except as provided under paragraph 4(iii) above;
- (vi) Each member of the Independent Advisory Oversight Committee would be replaced by a candidate from the same geographical region that he or she belongs to. If the departing member belongs to a Group that already has another representative, he/she will be replaced by a member originating from the Group(s) not represented in the Committee. However, in case there is no candidate who meets the criteria established by the Selection Panel in accordance with the General Assembly decision (recorded in paragraph 30, of document WO/GA/39/14) as contained in paragraphs 14, 15, 21, 22 and 26 of document WO/GA/39/13, available from any region, the position would be filled in by the highest ranking candidate in the Independent Advisory Oversight Committee's assessment irrespective of his or her regional representation;
- (vii) The selection process used for selection of new Committee members effective January 2011 as described in paragraph 28 of document WO/GA/39/13 will also be applied in the case of selection of new members of the Independent Advisory Oversight Committee, except as provided for in paragraph 4(viii) below;
- (viii) A roster/pool of experts identified during the selection process may be used in case of resignation or demise of a member of the Independent Advisory Oversight Committee while serving his or her term.

5. The members of the Independent Advisory Oversight Committee shall select a Chair and Deputy Chair.

6. The Selection Panel, in recommending candidates for nomination by the Program and Budget Committee shall ensure that the candidates possess relevant qualifications and experience, for example, in auditing, evaluation, accounting, risk management, legal affairs, information technology, human resources management and other financial and administrative matters. Expertise as well as geographical distribution and rotation should guide the selection process. In making its final recommendations to the Program and Budget Committee, the Selection Panel will try to ensure collegiality, the right mix of skills and expertise, and gender balance in the overall composition of the Committee. Due consideration shall be given to the availability, commitment, professionalism, integrity and independence of the candidates. Candidates must possess a demonstrated working knowledge of WIPO official languages, in particular English or French. When making its recommendations to the Program and Budget Committee the Selection Panel shall provide redacted curricula vitae for all individuals being nominated for appointment to the Independent Advisory Oversight Committee.

7. The Independent Advisory Oversight Committee should corporately possess the following competencies:

- (a) Technical or specialist knowledge of issues pertinent to the Organization's business;
- (b) Experience of managing similar sized organizations;
- (c) Understanding of the wider relevant environments in which the Organization operates, including its objectives, culture and structure;



- (d) Detailed understanding of the Organization's governance environment and accountability structures;
- (e) Oversight or management experience at senior level in the United Nations system.
- (f) International and/or intergovernmental experience.

8. New members should have or should acquire by a structured induction program organized by the WIPO Secretariat in consultation and with the participation of Member States an understanding of the objectives of the Organization, its structure and its culture, and the relevant rules governing it.

#### **D. MEETINGS AND QUORUM**

9. The Independent Advisory Oversight Committee will meet regularly every quarter in formal meeting.

10. A minimum of four members of the Independent Advisory Oversight Committee are required to be present for a meeting of the Committee to be quorate.

11. The Independent Advisory Oversight Committee may invite officials of the WIPO Secretariat or others to attend meetings.

#### **E. REPORTING AND REVIEW**

12. The Independent Advisory Oversight Committee shall keep Member States informed of its work on a regular basis. In particular, following each of its formal meetings the Committee shall organize a meeting with WIPO Member States and prepare a report for circulation to the Program and Budget Committee.

[13. Based on its review of the Internal and External Audit functions of WIPO and its interactions with the Secretariat, the IAOC will submit its own Annual Oversight Report to the Annual Assemblies of WIPO.](#)

14. Member States will review, every three years, the mandate, functioning, membership, selection and rotation of the Independent Advisory Oversight Committee. However, Member States retain the possibility to ask for this review to be put on the agenda of any session of the Program and Budget Committee.

#### **F. SUPPORT BY THE WIPO SECRETARIAT**

15. Assistance shall be provided to the Independent Advisory Oversight Committee from the WIPO Secretariat, which should be outside of the Internal Audit and Oversight Division of WIPO, in accordance with the principles of accountability and transparency. This assistance will be in the form of dedicated, independent Professional and General Service assistance serving on a part-time basis as secretariat for the Independent Advisory Oversight Committee. Functions of such logistical and technical assistance shall include: (a) logistical and administrative support. This would entail preparing for and attending Independent Advisory Oversight Committee meetings and assisting with preparing draft reports; (b) substantive and technical work in preparation for Independent Advisory Oversight Committee meetings, which may include research and background position papers, and others, as may be requested by the Independent Advisory Oversight Committee.



## **G. BUDGET**

16. In its biennial budget WIPO shall provide a specific budget allocation for the Independent Advisory Oversight Committee, providing for costs on an annual basis associated with the approved activities and related expenditures as provided in the terms of reference, namely four formal meetings of four to five days each in principle, attendance by Independent Advisory Oversight Committee members to the Program and Budget Committee and other meetings as required, secretarial and substantive support, and external consultancies.

17. Expenses for members of the Independent Advisory Oversight Committee will be paid by WIPO in accordance with WIPO's financial rules and regulations.

## **H. INFORMATION REQUIREMENTS**

18. Well in advance of each formal meeting, the WIPO Secretariat shall provide the Independent Advisory Oversight Committee with documents and information related to its Agenda, and any other relevant information. The Committee shall have unhindered access to all staff and consultants of the Organization, as well as access to records.

[End of Annex III and of document]