

ANNEX II

**WIPO AUDIT COMMITTEE REPORTS**

**Statement made to the Program and Budget Committee  
by Khalil Issa Othman, Chairman of the WIPO Audit Committee**

The WIPO AC completed its second session last week. The report of our first meeting, which took place from 10 to 12 April, was transmitted to you under the symbol WO/AC/1/2. The Report on the second session was transmitted to the Director General on July 7 and its symbol is WO/AC/2/2.

In view of the urgency of two items, namely (a) The New Construction Project and (b) the Desk-to-Desk Review, we gave them special and immediate attention.

**The New Construction Project**

Status of the Project

The AC was unable, in its first meeting, to conclude that the new Construction Project could be completed with the budget agreed by Members States in 2005, according to the revised specification of the Architect of the Project and taking into account any new or updated construction costs, regulations or practices that would be applicable. Therefore, the AC recommended that an audit of the Project by a party with the appropriate quantity surveying and engineering expertise be undertaken. That audit could be assigned to an independent firm (possibly FIPOI) or the External Management firm (now called the Pilot). The WIPO Secretariat recognized the need to carry out the audit but thought that it should be carried out by either FIPOI or an independent body.

In our meeting last week, we were informed that FIPOI was unable to undertake the audit but that the External Auditors would be able to do this work, including procuring the necessary quantity surveying and engineering expertise for that purpose. We were further informed that the External Auditors anticipated commencing this work in October 2006 with a view to reporting thereon in February 2007. Now I understand that it will be ready by November 2006.

In case this does not materialize as planned, the AC requested the Secretariat to advise it as to the basis and timetable to be adopted in its undertaking of a limited tender for the selection of an independent firm to perform the audit.

The Construction Charter

We recommended that the Charter as presented to our April session should be reviewed and a new version be submitted to the PBC. Our comments and observations for the revision of the Charter are detailed in Section II.2 of our report WO/AC/1/2. They called for clearer lines of authority and responsibility of parties involved, preparation of a detailed risk register and mitigating steps, and for management of change. Our recommendations were reflected in the

revised Charter presented to the AC session last week and are presently shown in paragraphs 8 to 14 of the Secretariat's document WO/PBC/10/4, entitled Progress Report on the New Construction Project. However, it should be noted that paragraph 7 of the said document leaves the erroneous impression that the revised Charter prepared by the Secretariat and presented to our second session did not benefit from or reflect our recommendations. We trust that this will be corrected. Moreover, with regard to paragraph 17 of document WO/PBC/10/4, it should be noted that the AC advised the WIPO Secretariat to convene a Selection Board taking into consideration all its observations and recommendations in that regard and not simply the rules of the Board.

In our last meeting, we noted that even the latest version of the Charter was no more than a working document subject to further amendments or recommendations if any by the PBC, FIPOI and the Pilot when appointed.

#### Convening of the Selection Board and Timetable

We were informed that the Selection Board had convened on June 14 2006 and pre-selected 11 firms as candidates for the role of Pilot and that Requests for Proposals from these firms would be issued immediately following the present PBC meeting, and that the Selection Board would reconvene in October 2006 to select the Pilot. On the basis of our review and taking into consideration our recommendations, we advised the Secretariat to proceed with the Construction Project and provide us with a progress report in time for the next meeting.

#### **Review of the Terms of Reference for the Desk-to-Desk Review**

Document WO/PBC/10/3 Progress Report on the Desk-to-Desk Review gives the background to this exercise. It also refers to the AC proposals and recommendations to be introduced to the first draft and subsequent inclusion of them by the Secretariat in the last version of the draft. Among the conclusions reached by the AC in its last meeting were the following:

(a) While recognizing the importance of the findings emanating from the Review for the purpose of preparing the 2008-2009 biennial budget, the Audit Committee was of the opinion that of equal importance was the immediate objective of ascertaining whether the current staffing resources in terms of numbers, skills, competencies and grade levels are commensurate with the volume of work, nature of tasks and level of responsibility required to discharge the current program. The Audit Committee wished to reiterate its earlier recommendation regarding the purpose of the Desk-to-Desk exercise, as contained in its report (WO/AC/1/2), including paragraph 19(h) with regard to different expected costs implication scenarios and 19(j) with regard to organizational structure of the Secretariat. In the view of the Audit Committee, this purpose should be duly reflected in the revised Terms of Reference.

(b) The Audit Committee noted that the Main Project Work Segments described in Annex IV to the Revised Terms of Reference provide a clearer picture of what is expected in terms of deliverables and believed that the presentation of the document could benefit from a better alignment between the Work Segments and the deliverables.

(c) The Audit Committee is of the opinion that the timely success of the exercise very much depends on the extent to which the External Consultant is provided with the information

needed in a prompt manner. Accordingly, Annex V describing the Terms of Reference of the Internal Project Structure needs further clarifications regarding the authority and accountability of each segment, as well as the relationship between the various components appearing under A, B, C, D, and E of Annex V. This could be reflected in an organigram of the internal structure, along with a list defining the role and type of assistance that could be provided by the individuals appearing under the various components of the internal structure.

Taking into account the views expressed by the Audit Committee, it advised the Secretariat to proceed with the Desk-to-Desk Review and provide it with a further progress report in time for its next meeting.

### **Internal Audit**

The Audit Committee was given to understand that the recruitment of the Head of Internal Audit is in its final stages, and that the recruitment of an internal auditor and an internal investigator was not completed. In view of the above, and taking into consideration observations made by the External Auditors, the Joint Inspection Unit, and the Audit Committee itself, it has become extremely important for the WIPO Secretariat to strengthen the internal oversight system.

The Audit Committee recommends the recruitment of the Head of Internal Audit should be finalized soonest and the recruitment process for the other vacancies be handled with priority. It further recommends that following the appointment of the new Head of Internal Audit, an audit plan be prepared and forwarded to the Audit Committee for its forthcoming meeting.

### **Methods of Work of the WIPO Audit Committee**

The Audit Committee at its first meeting had requested the Secretariat to consider the possibility for the Audit Committee to have an electronic document management system for a simplified secure access to the documents, with search capability and discussion forum, and to submit proposals at its next session. A presentation was made by the Secretariat on a “web board” forum solution, which can be implemented rapidly using existing technology.

The proposed Web Forum is an Internet application that would provide Audit Committee members with dedicated facilities for online discussion, exchange of information, comments and files, as well as easy access to documentation. It would also provide basic security functionalities, with access limited to Audit Committee members.

The Audit Committee decided that it should be implemented on a trial basis, and review its functionalities and appropriateness at their third meeting.

### **Some Observations on the Work of the WIPO Audit Committee**

1. We are nine members coming from different parts of the world with different but complementary qualifications and experiences. I am happy to report that we were able to work harmoniously as a corporate group.

2. The WIPO Secretariat was helpful especially in terms of logistics and support. The timeliness of documents will hopefully be better when the new electronic document management system is introduced and developed.
3. The AC continues to face certain difficulties and constraints. The time span of three days for our meetings and the complexity and relative newness of the issues coupled with long and detailed documents to read and digest renders our work the more daunting.
4. The AC is one among a number of oversight organs or mechanisms associated with WIPO. Oversight is a shared responsibility among Member States, the Secretariat and external oversight mechanisms. The Member States including those represented in the PBC have a leading role to play. You are the ultimate overseers and as such you bear a heavy responsibility. We members of the AC, as an external oversight mechanism will do our utmost to serve you and the Organization well. In doing this, we will continue to cherish and uphold our independence. We look forward to an efficient and effective working relationship with you, with the WIPO Secretariat, and with other oversight mechanisms, both internal and external.

[Annex III follows]