

WIPO



WO/PBC/WG/2/07/3

ORIGINAL: English

DATE: September 3, 2007

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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WORKING GROUP OF THE PROGRAM AND BUDGET COMMITTEE

Geneva, September 10, 2007

REVIEW OF THE WIPO INTERNAL AUDIT CHARTER

prepared by the Secretariat

1. The present document is submitted to the Member States for the reconvened session of the Working Group of the Program and Budget Committee. For ease of reference, the main body of the Report of the last meeting of the Working Group, held on April 27, 2007, is attached as Annex I.

ITEM 5 OF THE DRAFT AGENDA: REVIEW OF THE WIPO INTERNAL AUDIT CHARTER (CONTINUED)

2. At its last meeting, the Working Group dealt with this item of the agenda but was unable to conclude its deliberations due to lack of time.

3. Before adjourning, however, the Working Group had time to hear the Director of the Internal Audit and Oversight Division (IAOD), and the delegations of the Netherlands and Switzerland.

4. The Director of IAOD informed the Working Group that revisions proposed by the Secretariat to the Internal Audit Charter would be transmitted to the WIPO Audit Committee for further consideration at its fifth meeting in July 2007, and thereafter, to the Working Group in September 2007. The Delegation of the Netherlands and Switzerland requested that any revisions to the Internal Audit Charter be presented in track changes.

5. Proposed revisions to the WIPO Internal Audit Charter, including the observations of the WIPO Audit Committee, appear in track changes, in Annex II.

6. *The Working Group is invited to:*

(i) consider the contents of Annex II;

(ii) make its recommendations to the Program and Budget Committee on the revision of the WIPO Internal Audit Charter.

[Annexes follow]

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ORIGINAL: English

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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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**WORKING GROUP OF THE
PROGRAM AND BUDGET COMMITTEE**

Geneva, April 27, 2007

REPORT

adopted by the Working Group

1. A formal session of the open-ended Working Group of the Program and Budget Committee (PBC), hereinafter referred to as “the Working Group”, was held at the headquarters of WIPO on April 27, 2007. The list of participants is annexed to the present document (Annex I).

ELECTION OF A CHAIR

2. The Working Group elected Mr. Usuma Sarki (Nigeria) as *Ad hoc* Chair. Mrs. Carlotta Graffigna (Executive Director and Controller, WIPO) acted as the Secretary.

ADOPTION OF THE AGENDA

3. The Agenda was adopted as annexed (Annex II).

REVIEW OF THE TERMS OF REFERENCE OF THE WIPO AUDIT COMMITTEE

4. The Secretariat recalled the present session continued a follow up to the September 2006 decision of the Assemblies to convene an open-ended Working Group of the PBC (paragraph 188(c) of document A/42/14). The Working Group was to review the terms of reference of the Audit Committee and prepare a proposal on adequate resources for the Audit Committee, including the possibility of an independent secretariat. The Working Group would review the Internal Audit Charter, and review the structure and resources required for effective internal audit and oversight in WIPO.

6. The Working Group had met for the first time on December 14, 2006, to discuss these topics. The Report and papers of that meeting appear in document WO/PBC/WG/07/2.

7. Since then, the Audit Committee had examined its Methods of Work and reviewed its Terms of Reference during its fourth meeting in Geneva, from March 26 to 29, 2007. The proposed changes by the Audit Committee are attached (Annex III).

8. The delegations of Algeria, Brazil, Canada, France, Germany, India, Mexico, Morocco, Netherlands, Pakistan, Russian Federation, Spain, Switzerland, Tunisia, United Kingdom and the United States of America took the floor on this item of the agenda.

9. *The Working Group:*

(i) took note of the presentation made by the Audit Committee and the comments made by a number of delegations;

(ii) noted that the Audit Committee would consider the comments concerning the terms of reference of the Audit Committee made by delegations, at the fifth meeting of the Audit Committee in July 2007.

(iii) requested the Secretariat to convene a one-day session of the Working Group in September 2007, and to provide to the Working Group a further document presenting the amendments that the Audit Committee may wish to recommend in respect of changes considered necessary to its terms of reference;

(iv) agreed that at the September meeting, the Working Group would consider again the Audit Committee's recommendations concerning revision of the Audit Committee's terms of reference.

REVIEW OF THE WIPO INTERNAL AUDIT CHARTER, AND STRUCTURE AND RESOURCES FOR INTERNAL AUDIT AND OVERSIGHT AT WIPO

10. The Director of IAOD introduced this item of the agenda. He noted that the Audit Charter is required to be reviewed two years after its adoption (paragraph 28 of the Audit Charter). The WIPO Secretariat is currently considering changes that may be needed to the Audit Charter. These will be provided for consideration by the Audit Committee at its fifth meeting in July 2007, and thereafter the September 2007 meeting of the Working Group.

11. The Audit Committee had made proposals for changes to the Internal Audit Charter at the Working Group of the Program and Budget Committee, held on December 14, 2007 (see document WO/PBC/WG/07/2).

12. The delegations of Netherlands and Switzerland requested that changes proposed by the Secretariat and the Audit Committee be represented in a “track change” type format.

ADJOURNMENT OF THE SESSION

7. The session was adjourned.

[Annexes follow]

[Annex II follows]

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ANNEX II

PROPOSED REVISIONS TO THE
WIPO INTERNAL AUDIT CHARTER

A. INTRODUCTION

1. This Charter constitutes the framework for the Internal Audit function¹ of the World Intellectual Property Organization (hereinafter referred to as “WIPO” or “the Organization”) 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~~assisting~~ assistance to management and staff in the effective discharge of their responsibilities and the achievement of the Organization’s mission and goals. The purpose of this Charter is also to strengthen accountability, stewardship and corporate governance in the Organization.

B. 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.²

(b) 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.

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

C. MANDATE

3. The Internal Audit function provides the Management with systematic assurance, analyses, appraisals, recommendations, advice and information. Its objectives include endeavoring to ensure cost-effective control, and identifying means for improving

¹ The Internal Audit function, in the context of the Internal Audit Charter, refers exclusively to the oversight functions of Internal Audit, Inspection and Investigation—~~Monitoring is undertaken by the Office of the Controller~~. Evaluation, defined as the systematic and impartial assessment of an activity, project, program, strategy, policy, theme, sector, operational area, institutional performance, etc., which focuses on expected and achieved accomplishments and aims at determining their relevance, impact, effectiveness, efficiency, and sustainability, is the subject of a policy framework outside this Charter.

² 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 Investigation and Inspection the Standards applied are those developed and used by the UN.

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 and Regulations, Staff Rules, and relevant General Assembly decisions, the applicable accounting standards and the Standards of Conduct of the International Civil Service, as well as best practice.³

D. AUTHORITY AND PREROGATIVES

4. The Director of Internal Audit (hereinafter referred to as “the Internal Auditor”) is responsible to the Director General and is part of the WIPO senior staff. The Internal Auditor enjoys operational independence in the conduct of his/her duties. He/she has the authority to initiate, carry out and report on any action, which he/she considers necessary to fulfil his/her mandate. The Internal Auditor ~~has to accept~~ shall receive requests for his/her services from the Director General, to be included in the workplan, but he/she should be free to carry out any action within the purview of his/her mandate. The workplan of the Internal Auditor shall be based on a risk assessment, to be carried out at least annually, on which basis work would be prioritized by the Internal Auditor. In this process, the Internal Auditor shall take into account the comments of the Director General and Member States.

5. The Internal Auditor shall conduct internal audits in a professional, impartial and unbiased manner; ~~e~~Conflicts of interest should be avoided. Significant and material conflicts of interest are required to be reported to the Audit Committee who shall recommend such actions that may be needed to mitigate and reduce the undesirable effects of any conflicts of interest. ~~He/she~~ The Internal Auditor will perform all audit work with due professional care and in accordance with best practice recommended by the Institute of Internal Auditors, which is accepted and applied by the UN system organizations.

6. The Internal Auditor shall be independent of all the programs, operations and activities he/she audits, to ensure impartiality and credibility of the audit work undertaken.

7. For the performance of his/her duties, the Internal Auditor 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 the Organization. The Internal Auditor shall have access to the Chair of the General Assembly.

8. The Internal Auditor shall be available to receive directly from individual staff members 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 Internal Auditor. The Internal Auditor will liaise regularly with the WIPO Ombudsman to avoid duplication of activities. Relevant internal whistle-blowing policies and procedures shall be developed, established and applied in conjunction with this Charter.

³ Conversely, the independent External Audit refers to independent annual audits of an organization's financial statements, performed by audit professionals. At WIPO, this function is performed according to the terms of reference described in Regulation 6 of the WIPO Financial Regulations and in the Annex thereto. WIPO's External Auditor is appointed by the WIPO Assemblies for renewable periods of four years.

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

10. The Internal Auditor shall respect and keep the confidential nature of any information gathered or received that is applicable to an audit, [investigation or inspection](#), and shall use such information only in so far as it is necessary for the performance of an audit.

E. DUTIES AND MODALITIES OF WORK

11. The Internal Auditor 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 Internal Auditor shall encompass in particular the undertaking of management audits, performance audits, financial audits, compliance audits, value-for-money audits, inspections and investigations.

13. To effectively implement WIPO's Internal Audit function, the Internal Auditor shall:

- (a) Establish long- and short-term flexible audit plans, in coordination with the External Auditor, using risk-based methodology, to include any risks or control issues identified.
- (b) [Establish clear policies and guidelines for all internal audit functions i.e. internal audit, 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.](#)
- (~~b~~c) Prepare, publish, disseminate and maintain an internal audit manual [and an investigation procedures manual](#). ~~This~~, ~~which~~ shall include the terms of reference of the Internal Audit function and a compilation of audit [and investigation](#) procedures.
- (~~e~~d) Establish and maintain follow-up systems to determine whether effective action has been taken, following the Internal Auditor's recommendations, within a reasonable time, and periodically report on situations where adequate, timely corrective action has not been implemented.
- (~~e~~e) Liaise and coordinate with the External Auditor and monitor the follow-up of their recommendations.
- (~~e~~f) Liaise and cooperate with the Internal Audit services and, more generally, the Oversight services of other Organizations within the United Nations system and of Multilateral Financial Institutions, and represent WIPO in relevant inter-agency meetings.
- (~~f~~g) Develop and maintain a quality assurance/improvement program covering all aspects of Internal Audit, including periodic internal and external review and ongoing self-assessment, such as tracking time taken to produce reports.

14. In particular, the Internal Auditor shall assist the Organization by performing the following:

- (a) Review and appraise the reliability, effectiveness and integrity of the Organization's internal control mechanisms.
- (b) Review and appraise the adequacy of organizational structures, systems and processes to ensure that the results are consistent with the objectives established.
- (c) Review and appraise systems aimed at ensuring compliance by WIPO staff with WIPO's Rules, Regulations and established internal policies.
- (d) Review and appraise the effective, efficient and economical use, and the safeguarding of human, financial and material resources of the Organization.
- (e) Determine the extent to which assets are accounted for and safeguarded from loss.
- (f) Identify and evaluate significant exposure of the Organization to risk and contribute to the improvement of risk management.
- (g) Undertake, when required, any investigation pertaining to cases of alleged wrongdoing or malfeasance falling within the mandate of the Internal Auditor.
- (h) Undertake *ad hoc* inspections to identify vulnerable areas and malfunctions.
- (i) Ensure completeness, timeliness, objectivity and accuracy in the reporting of internal audits, investigations and inspections.
- ~~(j) Provide support services to a WIPO Audit Committee.~~

F. REPORTING

15. At the end of each audit, an audit report shall be issued, which shall present the objectives, scope, methodology, findings and conclusions of the audit, and include, if applicable, recommendations for improvements concerning the audited program or activity.

16. The draft audit report shall be presented to the program manager directly responsible for the program or activity that has been the object of the audit, who shall be given the opportunity to respond within the term provided therein.

17. The final internal audit reports shall include any relevant comments from the managers concerned on the facts established within the audit report and, if applicable, on the recommended plans of action, as well as on any timetable established for implementation purposes. Should the Internal Auditor and the program manager be unable to agree on the facts evidenced in that draft audit report, the final audit report shall reflect the opinion of the Internal Auditor. The managers concerned shall have the opportunity to comment on the report and the Internal Auditor shall have the opportunity to reply to the comments.

18. The Internal Auditor shall submit the final internal audit reports to the Director General, copied to the Audit Committee. The External Auditor shall also receive a copy, along with any supporting documentation. Permanent Representatives of Member States to WIPO or their designates can read final internal audit reports in the Internal Auditor's office. [Access to reports will be subject to safeguards and procedures which will ensure that confidentiality and due processes are properly maintained.](#)

19. The Internal Auditor may also issue audit communications to any concerned manager for matters of a routine nature, which do not necessitate formal reporting.

20. The Director General is responsible for ensuring that all recommendations made by the Internal Auditor are responded to promptly, indicating actions taken regarding specific report findings and recommendations.
21. The Internal Auditor shall present, on an annual basis, a report to the Director General, regarding the implementation of recommendations made by the External Auditor.
22. The Internal Auditor shall make a presentation on a regular basis on his/her activities to the Program and Budget Committee.
23. The Internal Auditor shall present, on an annual basis, a summary report to the Director General with a copy to the External Auditor [and the Audit Committee](#), of his/her 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 as submitted by the Internal Auditor. Comments the Director General may deem appropriate may be submitted in a separate report.

When applicable, the annual report shall include the following:

- (a) A description of significant problems, abuses and deficiencies relating to the administration of the Organization 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 Internal Auditor 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 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 Internal Auditor is in disagreement;
- (g) A summary of any instance where information or assistance requested by the Internal Auditor was refused;
- (h) A summarized version of the report submitted by the Internal Auditor to the Director General regarding the implementation of recommendations made by the External Auditor.

In addition, the Internal Auditor shall comment on the scope of his activities and the adequacy of resources for the purpose intended.

G. RESOURCES

24. 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 Internal Auditor and his/her capacity to achieve the required objectives of his/her mandate. The allocation of resources to the Internal Auditor shall be clearly identified in the Program and Budget proposal.

25. The Director General, in consultation with the Internal Auditor, will ensure that the WIPO Internal Audit function comprises professional staff, appointed in accordance with WIPO ~~s~~Staff Rules and 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 INTERNAL AUDITOR

26. The Internal Auditor should be a person with high qualifications and competence in auditing. The recruitment of an Internal Auditor shall be based on an open, transparent international selection process.

27. The appointment, replacement or dismissal of the Internal Auditor shall be formally made by the Director General, ~~who shall keep the Audit Committee informed of such actions, taking into account the advice of the Audit Committee and the Coordination Committee~~ who shall keep the Audit Committee informed of such actions. The Internal Auditor will have a fixed term of four years, renewable on the recommendation of the Audit Committee, for an additional term of four years. He/she would not be eligible for any further employment in WIPO.

I. REVISION CLAUSE

28. This Charter shall be subject to ~~revision two years after its adoption~~ review every three years.

[End of Annex II and of document]