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WIPO AUDIT COMMITTEE
Sixteenth Meeting
Geneva, April 12 to 16, 2010

REPORT

adopted by the WIPO Audit Committee

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INTRODUCTION

1. The sixteenth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from April 12 to 16, 2010. Present were Messrs. Gian Piero Roz (Chair), Khalil Issa Othman (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Pieter Zevenbergen.

AGENDA ITEM 1

ADOPTION OF THE AGENDA

2. The Committee adopted the draft Agenda with modifications (Annex I).

AGENDA ITEM 2

MEETING WITH THE SENIOR MANAGEMENT TEAM

3. The Committee met with members of the WIPO Senior Management Team (SMT), namely Deputy Directors General Geoffrey Onyeama, James Pooley and Christian Wichard, and Assistant Directors General Ambi Sundaram and Yo Takagi. The Director General, who had intended to introduce the Team, was absent from Geneva on official mission, as were Deputy Director Binying Wang and Assistant Director General Trevor Clarke.

4. The Committee welcomed the opportunity to meet with the SMT and congratulated its members on their recent appointments. It expressed its wish to have regular meetings with the Team as a collective body in order to discuss the various interlinked aspects of the Strategic Realignment Program (SRP) requiring synergy to achieve the Program’s objectives. The Committee assured the SMT members of its wish and availability to cooperate with the Team, while emphasizing the Committee’s independent status. It stated that the Committee’s principal concerns were the establishment of a risk assessment policy and related mitigating measures to be taken by management, as well as Results-based Management and an accountability culture at all organizational levels.

5. The SMT members welcomed the Committee’s positive approach and believed that the Committee’s observations and recommendations would assist them in their work. They stated that the SMT does indeed work as a team and emphasized their collective commitment to identifying risks and accountability, and assuming responsibility. The members noted the major cultural change underway at WIPO, beginning at the very top, which would need patience and persistence on their part.

6. In response to statements made by the Committee, the SMT members also emphasized their commitment to: good governance and transparency; the strengthening of internal controls (tied to risk management); and, to maintaining open communication with the Committee to ensure timely information on relevant developments in WIPO. In this connection, the SMT members believed that the new organizational and administrative arrangements would facilitate their relations with the Committee.

7. Other issues that could constitute major risks were also flagged, including: revenue and cost control; WIPO's reputation; internal management-staff communication; and, the need to monitor the level of confidence among Member States on the Organization's relevance judged by its capability to deliver multilateral solutions to its clients.
8. The Committee welcomed the SMT's cohesiveness and its commitment to ensconcing best management practice as a way to realize the Organization's objectives.
9. It was agreed that the Committee-SMT meetings should continue.

AGENDA ITEM 3

INTERNAL CONTROLS

10. Documents presented to the Committee under this Item are listed in Annex II.
 - A. Internal Audit and Oversight Division Staffing
 11. Information and explanations concerning the staffing situation in the Internal Audit and Oversight Division (IAOD) were provided orally to the Committee by Mr. Nick Treen, Director, IAOD, and Mr. Jean-Marc Guiramand, Head, Human Resources Engagement and Development Section.
 12. The Committee noted that despite previous repeated observations and recommendations, IAOD still had staff vacancies. It further noted an under-spend of IAOD's revised 2008/9 budget.
 13. In response to the Committee's request, Mr. Guiramand provided information on the recruitment process for the posts of Head, Internal Audit Section and Head, Evaluation Section, respectively. The Committee noted with concern that the process had been ongoing, both for procedural and managerial reasons, for more than 18 months in the first case, and more than 10 months in the second. Based on its observations, the Committee concluded that these two key positions were unlikely to be filled for several months.

Recommendation

14. The Committee recommends that every effort be made by each service concerned to expedite the filling of vacant IAOD posts.
 - B. Follow-up on Implementation of Oversight Recommendations
 15. Information and explanations concerning the implementation of oversight recommendations were provided orally to the Committee by Mr. Wei Lei, Chief Information Officer and Mr. Treen.

Observations

16. The Committee took note of:

- (a) Mr. Wei's statement that the development of an IT tool for the basic functions of capturing and reporting on oversight recommendations follow-up was technically simple. Off-the-shelf commercial software applications with varying degrees of sophistication and costs were even available. In his view, the issues to be addressed were how recommendations were to be handled and who was to do what. In this connection, two specific issues needing resolution before the IT tool already developed could become fully operational: (i) who would be responsible for the process of following up on audit recommendations and (ii) who would use the tool (centralized versus decentralized data input for example). The tool developed by IT could be improved if necessary but IT could not be responsible for the process or for using it.
- (b) Mr. Treen's agreement that the key issue was who would be responsible for what. The Committee was informed that the issue of an Office Instruction aimed at clarifying respective roles and responsibilities within WIPO was still pending with the Director General's Office. However, major progress had been made to address outstanding recommendations thanks, in particular, to very strong action taken by the Director General.

17. The Committee welcomed the action taken by the Director General and decided to review, at its seventeenth meeting, progress on the allocation of responsibilities for implementation of oversight recommendations, as well as the actual implementation status.

Recommendations

18. The Committee recommends that:

- (a) A final draft Office Instruction on the follow-up of oversight recommendations be submitted to the Committee for its review in time for its next meeting; and,
- (b) A decision be taken on who is responsible for the monitoring and handling of the IT tool designed to support the follow-up of oversight recommendations.

C. Update on Investigations

19. Information and explanations were provided orally to the Committee by Mr. Treen. For most of this session of the meeting, Mrs. Joan Connors, Senior Investigator, and Mr. Ian Hamilton, UNOG staff on loan to the Investigation Section, IAOD, were also present.

20. Although the Committee can review individual investigation reports, it has so far never requested such reports on the grounds that it wished to respect privacy and confidentiality. The Committee therefore has to depend on IAOD providing detailed and comprehensive information.

Observations

21. The Committee took note that:

- (a) An Investigation Policy and Manual had still not been finalized despite numerous recommendations made by the Committee since its fourth meeting in March 2007, and repeated assurances given by Mr. Treen of a completion date.¹
- (b) Despite its prior observations² and Mr. Treen's explanations and assurances, to the Committee's regret, it had still not received sufficient assurance that investigations were being conducted independently and transparently, and that due process had been respected pending the issuance of an Investigation Policy and Manual.
- (c) The information contained in IAOD's summary report on investigations was insufficient for the Committee to assess properly work progress in this sensitive area. Moreover, no information had been provided on investigations conducted outside of IAOD. Information on the involvement of outside authorities was also insufficient.
- (d) the summary reports submitted to the Committee, both at its current and previous meetings, contained no information on biennium expenditures nor on the costs of and time required to complete individual investigations. The justification for the various investigations and prioritization was therefore unclear.
- (e) The guidelines used as a framework for conducting investigations since 2009 had been posted on the Investigation Section's Intranet homepage.

Recommendations

22. The Committee recommends that for its next meeting:

- (a) A detailed report be prepared containing a breakdown of all investigations conducted in 2008 and 2009 respectively, indicating the initiator (complaint by staff, appeal, fraud suspicion, request by HRMD etc); who supervised and conducted the investigation (IAOD, consultants etc); the estimated cost; the time involved (from the time the request was received to the issuance of the final report, including the actual time spent by IAOD and/or IT staff or consultants to perform the investigation itself; the outcome (disciplinary procedure, filing for no fault identified etc); the involvement, if applicable, of local police or judiciary authorities; and, a concise summary description of the investigation which should respect the confidentiality of the investigation itself and the privacy of the staff involved. The report should also include information on the number and nature of the requests for investigations that were turned down by IAOD and an indication of lessons learned which would promote better practice within WIPO in the future.
- (b) The final draft Investigation Policy and Manual be presented to the Committee.

¹ See documents WO/AC/4/2, paragraph 13(c); WO/AC/5/2, paragraphs 17(b), (c) and 18(d); WO/AC/7/2, paragraph 9(c) and 10(b); WO/AC/11/2, paragraph 16(e); WO/AC/12/2, paragraphs 15 and 19(c), WO/AC/13, paragraph 19(b); WO/AC/14/2, paragraphs 27 and 40(b); and, WO/AC/15/2, paragraphs 59 to 61.

² See documents WO/AC/12/2, paragraphs 15 and 19(c) and WO/AC/14/2, paragraph 26.

D. Internal Audit Reports

Travel and Mission Support in WIPO

23. With respect to Internal Audit Report No. IA/01/2009: “Audit of Travel and Mission Support in WIPO”, dated March 11, 2009, and reviewed previously by the Committee at its fourteenth and fifteenth meetings, the Committee met with Mr. Ambi Sundaram, Assistant Director General; Mr. Miguel Figuerola, Director, Human Resources Management Department; Mr. Colin Buffam, Deputy Director, Systems, Procedures and Change Management, Procurement and Travel Division; and, Mrs. Neila Krifi, Head, Travel and Missions Support Section.

24. The Committee was informed that Mr. Sundaram had created a travel group to make recommendations on the updating of current policies concerning travel, taking into account observations and recommendations contained in IAOD’s audit report on travel and mission support, as well as the changes in the practices and regulation of the air transport industry and special conditions negotiated by UN agencies in Geneva. These recommendations would supplement recent changes introduced by the Director General in this area.

25. The Committee welcomed this initiative. It agreed that clear and transparent rules needed to be promulgated and concurred with Mr. Sundaram that this new policy might require a behavioral change on the part of staff who considered certain current practices as acquired rights.

Revenue Generation Processes in the PCT and Madrid and Hague Systems

26. Due to time shortage and the absence, for health reasons, of the Senior Internal Auditor, the Committee decided to postpone review of Internal Audit Report Nos. IA/04/2009 “Final Audit Report on the PCT Revenue Generation Process”, dated November 4, 2009, and, IA/06/2009 “Final Audit Report on the Revenue Generation Process for the Madrid and the Hague Systems”, dated December 21, 2009.

E. Work plans

27. Information and explanations were provided orally to the Committee by Mr. Treen.

28. The Committee received an Internal Audit work planning package (including a detailed work plan, risk and needs assessment, audit strategy and the program and budget) for 2010-2011, dated December 30, 2009, as well as the Director General’s comments, dated February 12, 2010. A revised detailed work plan, dated March 23, was delivered to the Chair of the Committee on April 12, which was the first day of the Committee’s sixteenth meeting. Apparently, an earlier copy of the documents had been misplaced and was consequently not received by the Committee. Review of the planning package and detailed work plan therefore had to be postponed to the Committee’s next meeting in June, when the Committee will be obliged to limit its review to implementation of the work plan during the period January to June 2010.

29. The Committee also received a 2010-2011 biennial evaluation plan and a 2010-2011 evaluation strategy, both dated December 17, 2009, which are dealt with in paragraphs 33 and 34 below.

E. Evaluation

30. Information and explanations concerning the status of evaluation in WIPO were provided by Mr. Favatier, Chief Financial Officer (Controller), Mr. Bradley, Head, Program Management and Performance Section, and Mr. Nick Treen.

31. The Committee was briefed on the work in progress towards strengthening the design framework of the Results-based Management (RBM) and enhancing the performance evaluation reporting. It considered that the information given to the Committee was not clear as to when WIPO would have in place a system of monitoring and evaluation that monitors the progress in the implementation of its work against schedules or norms and assesses the results achieved in terms of their usefulness to the end-users and their relevance to the objectives and strategic goals of the Organization.

32. The Committee stressed the fact that performance measurement is an important control element that provides assurance to the stakeholders and management that staffing resources, whose costs amounted to about 75 per cent of WIPO's expenditures during the past biennium, are being used efficiently and effectively. The Committee is of the opinion that, in the absence of a system for monitoring programs and assessing their results, the control environment in the Organization will remain inadequate. The system is also a key element in assessing management competency, a matter which has been highlighted in PricewaterhouseCoopers Desk-to-Desk Report.

33. After examining of the work of IAOD on independent evaluation since the adoption of the Evaluation Policy in 2007, the Committee concluded that considerable progress was still needed. In this regard, it examined the 2010/11 evaluation work plan of IAOD, and could not escape the conclusion that the plan lacked focus and was unspecific as to the high level independent evaluations which IAOD proposed to conduct and the nature of the problems they proposed to address. In the absence of details, and, what the Committee considered a proper costing of the activities contemplated, it was not possible for the Committee to express its views on the substance and feasibility of such a plan. The Committee noted that Mr Treen considered that, in his view, the level of details provided, including the estimated monetary costs for consultants and staff days, was sufficient

34. The Committee was deeply concerned to hear from Mr. Treen that the evaluation plan for 2010/11 was now defunct because of the current absence of any staff, i.e., the Senior Evaluation Officer on maternity leave and the already mentioned delays in filling the post of Head of the Evaluation Section. The Committee wondered why a non-operational plan was submitted for its review, and expressed its belief that resources could be made available by outsourcing the conduct of independent evaluations, provided a well-formulated work plan is prepared. (see also paragraph 28 above).

35. The Committee considered that the pace at which the WIPO evaluation function had been progressing, rendering the 2010-2015 evaluation strategy a perfunctory exercise, is of substantial concern.

Recommendations

36. The Committee recommends that the following be submitted for its review at its seventeenth meeting:

- (a) A 2010-2011 work plan of the Program Management and Performance Section (PMPS), detailing its activities towards introducing monitoring and performance measurement in the context of WIPO's Results-based budgeting. The plan should identify the improvement in the control environment as a result of the deliverables.
- (b) A detailed IAOD 2010/11 work plan of its activities towards conducting independent evaluations with proper costing and identification of possible sources of funding to supplement the Division's available resources, if necessary, to outsource some of the work. The plan should include a chart that shows the timeline for specific evaluations and how they relate to the Strategic Realignment Program (SRP).
- (c) A revised Evaluation Policy that reflects the independence of IAOD in determining its final work plan, in accordance with UN best practice, and that clarifies the respective roles and responsibilities of IAOD and PMPS in conducting evaluations.

AGENDA ITEM 4

MEETING WITH THE EXTERNAL AUDITOR

37. The Committee met with the WIPO External Auditor, Mr. Kurt Grüter, Director, and Mr. Didier Monnot, Swiss Federal Audit Office.

38. Both parties welcomed this opportunity to exchange views and establish closer cooperation, also in view of the major changes in the oversight structure foreseen for the next two years, namely the assumption of duties by a new External Auditor in 2012 and the reconfiguration of the Committee as of that date. It was noted that a well-planned transition phase was needed to ensure proper knowledge transfer by both parties.

39. In this connection, the External Auditor reassured the Committee on the planning of the transition to the new External Auditor, including related transfer of files and knowledge. Mr. Grüter noted that, since his Office was close to Geneva, additional assistance could be provided after January 1, 2012, if necessary. The Committee welcomed this information.

40. It was noted that the External Auditor and Committee share the same mission, namely to contribute to good governance at WIPO, and that closer cooperation and work harmonization between the three oversight entities (External Auditor, the Committee and IAOD) would help achieve this common goal. The need for an exchange of views on what input each party wished to receive from the others, while fully respecting their independence, was also noted.

41. To this end, a tripartite meeting will be scheduled for the next Committee session, also to exchange views on internal control at WIPO and review papers prepared by Mr. Grüter and Mr. Zevenbergen on tripartite cooperation (see Annex IV). In addition, the Committee endorsed Mr. Grüter's proposal to hold joint meetings at the beginning and end of each year to discuss plans and review findings.

42. With respect to existing cooperation, Mr. Grüter and Mr. Monnot noted their good relations with IAOD. The Committee decided to discuss, at its next meeting, the External Auditor's report "Assessment of the Internal Audit Function", dated August 11, 2009, including the status of implementation of the report's recommendations.

43. Both parties emphasized the importance of the monitoring of the implementation of oversight recommendations. The Committee also noted the emphasis placed in the External Auditor's work plan on WIPO's transition to IPSAS.

44. Pursuant to a proposal made by the Director General in September 2009,³ the Committee also believed that it would be useful to hold regular meetings of the three oversight bodies (the tripartite) to review relevant matters concerning oversight, internal controls and risk assessment at WIPO. Should the need arise, such meetings could be followed by a joint meeting of representatives of the three oversight bodies with the Director General.

AGENDA ITEM 5

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) AND 2008/9 ACCOUNTS

45. Documents presented to the Committee are listed in Annex II

46. Information and explanations were provided orally to the Committee by Mr. Ambi Sundaram, Assistant Director General; Mr. Philippe Favatier, Chief Financial Officer (Controller); and, Mrs. Cook Robbins, Head, Finance Services.

47. The Committee welcomed the fact that the Financial Statements of the Organization for the biennium ending December 31, 2009, had been prepared on time and in accordance with the provisions of the Financial Regulations and Rules, and in spite of the additional work generated by the transition to IPSAS.

48. The Committee took note that:

- (a) The Statements had been prepared according to the IPSAS standards while figures were calculated based on the UNSAS standards, to facilitate comparison in the future. It further took note that the opening balances for the 2010-2011 biennium, issued at the beginning of the year according to the UNSAS closing of the prior biennium, would be adjusted to comply with the IPSAS in the accounts retroactively. This, however, would have no impact on Program operations.

³ See document WO/AC/15/2, paragraph 3

- (b) During the biennium, there had been a decrease in the PCT System fees (-7.5 million Swiss francs) and an increase in the Madrid and Hague System fees (+4.5 and +0.4 million Swiss francs respectively). Personnel expenditures increased from 70 to 75% of total expenditures between the 2006/07 and the 2008/09 biennia. The Committee was advised that the percentage increase was to be attributed mainly to the fact that non-staff expenditure had been kept under strict control therefore increasing the impact of staff expenditure on total expenditure, as well to technical reasons (step increments, statutory salary adjustments etc.).
- (c) The Statements showed at the end of the biennium a sharp increase in the liabilities for provisions for separation from service and for post-employment medical benefits (from 81 to 99 million Swiss francs). This was related to an update of the actuarial study and to the fact that all staff members had acquired additional rights due to one more year in service. The impact of the Voluntary Separation Program was not reflected in these figures, apart from separation payments already made in 2009. The provisions for such benefits of 45.9 million Swiss francs at the end of 2009 will be reduced by the costs of the separation payments in 2010 and will need to be reconstituted. The difference between the target provisions and the actual provisions is therefore likely to be higher at the end of 2011.
- (d) More details on the 2008/09 accounts will be provided in the Financial Report to be issued later this year. The Committee will therefore possibly revert on these issues when that Report becomes available. (See also paragraph 65(c) below, concerning the Voluntary Separation Program).

AGENDA ITEM 6

ENTERPRISE RESOURCE PLANNING (ERP)

49. The Committee met with Mr. Ambi Sundaram, Assistant Director General; Mr. Philippe Favatier, Chief Financial Officer (Controller); Mr. Wei Lei, Chief Information Officer; Mrs. Cook Robbins, Head, Finance Services; Mrs. Chitra Narayanaswamy, Senior Advisor, Administration and Management Sector; and, Mr. Robert Lawton, Project Manager, Department of Finance, Budget and Program Management.

50. The implementation of IPSAS and of a new module of the financial system in use by the Organization are part of the same project. The Committee was provided with a short list of points related to such implementation and expects to receive a comprehensive report at its next meeting.

AGENDA ITEM 7

EXTERNAL AUDITOR SELECTION PROCESS

51. Documents presented to the Committee are listed in Annex II

52. Information and explanations were provided orally to the Committee by Mr. Ambi Sundaram, Assistant Director General; Mr. Philippe Favatier, Chief Financial Officer (Controller); and, Mrs. Cook Robbins, Head, Finance Services.

53. The Committee took note that although it had received copies of correspondence sent to Member States, it had not yet been consulted by the Secretariat on the process itself nor on the timeline and the Committee's expected involvement. The Committee also noted that the Internal Audit and Oversight Division would be involved in the process, as indicated in the proposal submitted to Member States last September.

54. The Committee expressed concern that the timeline proposed to and approved by Member States in 2009 implied a completion of the selection process only three months before the assumption of duties of the new External Auditor on January 1, 2012. In the Committee's opinion, the transition period may be too short to ensure a proper transfer of knowledge from the current External Auditor and that it could require a major effort on the part of the new External Auditor to become acquainted with the Organization, in particular since it will have to certify the 2010/2011 biennium accounts.

55. The Committee advised the Secretariat that, in its view, the selection process was not one of procurement but of an appointment. Consequently, given WIPO's international status, financial evaluation should not be included in the selection criteria. The financial proposal itself, however, should be submitted to and reviewed by the Selection Committee to ensure consistency with the substantive parts of the proposal. As a consequence, the Call for Proposals may need to be modified under this item.

56. The Committee noted that it would receive the proposed evaluation criteria and the initial technical evaluation, both of which would be prepared by the Finance Section, for its review in April and August 2010, respectively. The Committee will need to consider whether it can adhere to such a timetable and will advise the Secretariat accordingly.

Recommendation

57. The Committee recommends that the financial proposal should not be considered as a criterion for the selection of the External Auditor and that the Call for Proposals be amended accordingly.

AGENDA ITEM 8

STRATEGIC REALIGNMENT PROGRAM

58. Documents presented to the Committee are listed in Annex II

59. The Committee met with Mr. Ambi Sundaram, Assistant Director General; Mr. Miguel Figuerola, Director, Human Resources Management Department; Mrs. Thérèse Dayer, Assistant Director, and Head, Social Security Section; and, Mrs. Chitra Narayanaswamy, Senior Advisor, Administration and Management Sector.

A. Strategic Realignment Program Plan

60. A report on the progress of the Strategic Realignment Program (SRP) was presented by Mr. Sundaram. The Committee welcomed the report which included a roadmap for implementation of the SRP; the roadmap that had been requested by the Committee on several occasions in the past.

61. The Committee took note of:

- (a) The explanations provided by Mr. Sundaram that the roadmap was work in progress and had been completed in just three months.
- (b) The structure of the SRP, which was based on four values, namely: Customer Service Orientation; Working as One; Accountability for Results; and, Environmental, Social and Governance Responsibility. Outcomes and outcome indicators were attached to each Value and eighteen initiatives had been identified to support outcomes. Each initiative was linked to one, many, or all of the Organization's Strategic Goals.
- (c) The identification of the interdependencies between the initiatives, as well as assignment of specific responsibility of respective top management members, including the Director General himself, for delivery of each initiative in accordance with a timeline. In this connection, the Committee was advised that the Senior Management Team (SMT) members had signed a compact with the Director General up to the end of this year and that the overall accountability framework and the Strategic Medium Term Plan was still being developed.
- (d) The integration of the initiatives, which would help to overcome the functioning of WIPO as a series of silos. The Committee was also appraised of the role of the Project Management Office (PMO), as well as ongoing work relating to Results-based Management (RBM) and the accountability framework. It was also informed that certain SRP-related initiatives, such as the initial restructuring following adoption of revised strategic goals, had already been completed, and that the SRP governance structure had not yet been fully established.
- (e) All the initiatives, in particular those relating to the strengthening of RBM and the internal control system, the latter of which is under the Director General's direct responsibility.

- (f) The lack of information on costs, including for initiatives already completed. The Committee was informed that discussions at this stage had concentrated primarily on results and not resources and that those elements of the resource requirements which were already within the work plan were currently being reviewed by the Director General. Some projects such as the ERP were being planned and resource estimates will be prepared for the proposal being submitted to Member States. A significant component of the resources required were staff resources and the PMO along with the project leaders and SMT Champions would attempt to quantify resource requirements where these were not covered by existing work plan/budget or new project proposals. The Committee stressed that cost information should include initiatives that had already been completed and/or had already been budgeted for, in addition to those items to be budgeted, and possible financing sources. It also raised the issue of management training, a major shortcoming identified in PricewaterhouseCoopers' (PWC) Desk-to-Desk Review.
- (g) The lack of information given to the Committee on the methodology followed for the now completed restructuring exercise, as referred to in 60(d) above, even though the Committee had been tasked to oversee that exercise as part of its follow up on the PWC's Desk-to-Desk Review and in line with a General Assembly decision that the Committee should oversee progress in the implementation of the SRP.

62. The Committee asked:

- (a) How progress could be measured; how the Committee could monitor that progress; and, how managers' accountability would be achieved. The Committee was informed that baselines would be established as part of the next steps to enable the measurement of results. The baseline would include two surveys – one related to customers and one related to staff. An internal controls survey had already been conducted as part of the internal control gap assessment conducted by IAOD, the results of which were expected soon.
- (b) Whether all initiatives had already been planned and evaluated from a cost-effectiveness point of view.
- (c) Whether the Organization had the resources, including skills and competencies that had been lacking in the Secretariat (and the impact of the VSP on this) to undertake the SRP. In this connection, the Committee recalled that, when the Organizational Improvement Program (OIP) had been launched in 2008, it had asked the same question in view of the tremendous work needed to implement such a Program.

63. The Committee repeated its previous requests for:

- (a) A staffing table showing all posts by grade per organizational unit and, separately, all temporary staff. It was agreed that such a baseline was critical for managing the Organization properly and monitoring any structural changes.
- (b) A critical path analysis, which was required to identify, *inter alia*, mandatory and optional elements of the SRP.

Recommendation

64. In view of the mandate given to the Committee by Member States to oversee the SRP, the Committee recommends that a progress report be presented to the Committee at each of its quarterly meetings.

B. Voluntary Separation Program

65. The Committee was presented with a summary report on the Voluntary Separation Program (VSP) that supplemented the progress report received for its fifteenth meeting.

66. The Committee took note that:

- (a) 88 applications for separation had been accepted of which 65 were under the Pre-retirement Scheme and 23 under the Voluntary Separation Agreement. Of these, 57 concerned General Service “G” staff, 27 Professional “P” staff and 4 Director “D” staff. No information was provided, however, as to the grade distribution within each category or on the percentage of these separations by grade as compared with the total number of staff occupying regular posts.
- (b) The majority of the separations had taken place in the Patents and in the Administration and Management areas, which have the highest number of staff. 27 such separations had taken place in 2009 with the remainder being spread between January and June 2010.
- (c) The total cost of the Program was still being computed and information on its financing and on its impact on the provisions for separation and post-employment benefits were still to be provided.
- (d) No information had been provided on the planned use of the posts vacated through the VSP.
- (e) Exit interviews had taken place and would continue to take place for all separating staff.

Recommendation

67. In view of the mandate given to the Committee by Member States to oversee the VSP, the Committee recommends that a detailed report be submitted at its next meeting. This report should include information on all the subjects raised in the previous paragraph.

AGENDA ITEM 9

NEW CONSTRUCTION PROJECTS

68. Documents presented to the Committee are listed in Annex II
69. The Committee met with Mr. Ambi Sundaram, Assistant Director General; Ms. Isabelle Boutillon, Secretary, Construction Committee; Mr. Alfio Favero, Consultant, New Construction Projects Section, Buildings Division, Administration and Management Sector; and, Mr. Jean-Daniel Fehr, Project Director General, Burckhardt+Partner SA (“the Pilot”).
70. The Committee took note that:
- (a) The compromise agreement reached with the General Contractor on the advice of the Pilot to the Construction Committee to the effect that the new office building would be handed over to WIPO in three steps (i) on the original planned date of October 8, 2010, for 80% of the building; (ii) on November 5, 2010, for the remainder i.e. ground floor, first floor and first basement level; and (iii) as had been agreed via an addendum to the original contract in 2009 when the Data Center was added to the Project, the new data centre at the end of November
 - (b) Such a delay was largely due to additional work that had been required and was a pragmatic solution to the delays caused by changed specifications and extra work, and would enable WIPO to progress moving staff substantially as originally planned without extra cost.
 - (b) Amendments to the contract with the General Contractor were consequently being finalized and *inter alia* would include elimination of any grace period for incurrence of penalties for any delays beyond the new delivery dates whereas the original contract provided for a 2 week grace period.
 - (c) Discussions were in progress with the local authorities to resolve potential interference of UN HMOSS perimeter security with a pedestrian right of way: the Committee was to be updated on this matter at its next meeting.
 - (d) Following occupation of the new office building, there would remain no rented accommodation save for rental storage for PCT archives.
 - (e) With regard to taking occupation of the new office building, the Secretariat had already issued a Memorandum from the Director General on office space related mostly to the ongoing restructuring and existing premises. Further Guidelines would be issued in a future Office Instruction to be applied as from the move to the new premises. Various re-groupings of staff amongst all buildings would eventually be required once the moves to the new building would be completed. The Pilot would not be involved. The Committee expects to be updated on this at its next meeting.

- (f) Following handover of the new office building, the contract provides a 2 year guarantee on superficial faults and a 5 year guarantee against “hidden” faults. Calling for the contractor to perform under the guarantee, if that were to be required, will be the responsibility of WIPO’s building and premises management team. There was a question as to how the residual risk of needing to call against the guarantor would be recorded. This was a matter that the Committee would have to revisit in the context of establishing a proper enterprise risk management framework for WIPO.
- (g) The RFP process for a general contractor for the New Conference Hall had proceeded well. The selection board had met as planned and “pre-selected” a number of companies to participate in the tendering stage, all of whom, the Committee was told, appeared well qualified to undertake this special project. With regard to the maintenance of confidentiality over the selection process, the Committee was advised that the recommendations made by the Committee and IAOD on strict information security measures access had been implemented.
- (h) Amendments were in the course of being made to the loan agreement arranged for the new office building to extend it by CHF40 million for the New Conference Hall. There had been no further draw down under the original loan agreement since CHF50 million was drawn down in March 2009. WIPO was continuing to retain an independent financial advisor for the purposes of amending the loan agreement as mentioned above and for advice on timing of the loan draw down particularly taking into account interest rate movement.
- (i) The WIPO risk register now recorded risks relating to the New Conference Hall. The AC was advised that mitigating steps against these risks would be included into the register following appointment of the new general contractor for the New Conference Hall.

71. The Committee complimented the team for the clarity and comprehensiveness of the documentation submitted and for the progress made towards what appeared to be a timely and on budget completion of the New Construction Project.

AGENDA ITEMS 10 and 11
FOLLOW-UP ON THE ASSESSMENT OF THE
WORK AND OPERATIONS OF THE WIPO AUDIT COMMITTEE;
MEETING WITH REPRESENTATIVES OF WIPO MEMBER STATES

Item 10: Follow-up on the Assessment of the Work and Operations of the
WIPO Audit Committee⁴

72. The Chair briefed the Committee on the outcome of the Working Group on Audit Committee Related Matters, held on February 9 and 10, 2010. He informed them that a follow-up consultation meeting between the Chair of the General Assembly (GA) and WIPO Group Coordinators was scheduled for April 19, and that he and the Vice Chair would meet the GA Chair after the consultations.

73. The Committee expressed its deep concern over the continued postponement of a decision by Member States, now more than two years overdue, on the Committee's composition and a rotation mechanism. In the view of the Committee, such delays may lead to a major breakdown in oversight at WIPO in the event that the Organization was to have, as of 2012, an Audit Committee composed of new members unfamiliar with WIPO and the Committee's work, as well as a new External Auditor whose appointment may be confirmed only three months before beginning its mandate.

74. The Committee was of the opinion that if no decision is taken by mid-June 2010, its functioning and operations in 2011, and possibly also in 2012, may be jeopardized.

Item 11: Meeting with Representatives of WIPO Member States

75. Following two earlier similar informal meetings (August 21, 2009, and December 4, 2009), a meeting was held with representatives of WIPO Member States. The list of participants is attached as Annex III. During the Working Group on Audit Committee Related Matters in February 2010, Member States expressed their appreciation for these informal meetings and agreed that they should be institutionalized.

76. The Chair briefed the Representatives on the various items on the Committee's Agenda. He informed them that the Committee had met members of the new Senior Management Team for the first time (see paragraphs 3 to 9 above) and had a fruitful exchange of views.

77. Items included in the briefing and subsequent discussions were:

- (a) The SRP and the initial roadmap presented by management. The Committee stated that it would continue to monitor the progress and implementation of the SRP and the roadmap, which included some old and recently started initiatives, such as revision of the Staff Rules and Regulations, IPSAS, an ERP system and the VSP.
- (b) The Committee's repeated request for a staffing table showing posts and staff.
- (c) The New Construction Project, including the Committee's appreciation for the clear and orderly documentation and presentation, and the timely progress of the Project.

⁴ Documents WO/GA/38/2 and WO/GA/38/2 Corr.

- (d) Issues relating to the Internal Audit and Oversight Division.
- (e) The 2008/2009 Accounts.

Information provided to the Representatives is contained in the body of this Report.

78. The Representatives expressed appreciation for the briefing and for the Committee's work. The briefing was followed by a questions and answers session and discussions.

79. The Chair raised the question of the future of the Committee. He stressed again the importance of the principle of continuity, which could be achieved by retaining some of the current Committee members for an additional year once Member States had agreed on the future size of the Committee. He also stressed that timing was critical and that, as stated on previous occasions, the Committee members would have preferred that rotation had taken place two years, or at least one year, ago. It had now become incumbent on Member States to take a decision on the size of Committee by June 2010 to allow sufficient time for nomination and selection of new members. It was suggested that to facilitate the transitional period, should a reduction in the number of members be decided upon, the size of the Committee be retained at 9 for 2011, and be composed of both current and new members. As of 2012, the Committee would be entirely composed of new members and rotation proper would begin in accordance with the decision taken by Member States.

80. The Chair also drew the Representatives' attention to the Committee's recommendations, especially those contained in its Assessment Report, and stated that the Committee stands behind them. In addition, he reminded them that the legal status of the Committee members *vis-à-vis* the Organization and its host country had still not yet been defined. Finally, he stressed again the need for Member States to address the longstanding issue of the lack of appropriate professional support for the Committee. Such support had become indispensable for the efficient work and operations of the Committee and would play a key role in 2011 and 2012 when the Committee would be in transition to a new membership.

81. The Representatives expressed their confidence in the Committee's work and the need for such work to continue in the future. They agreed with the principle of continuity and on the urgency of reaching an agreement on the size of the Committee to ensure that the process of composition and rotation proceeded in a timely and orderly fashion.

Recommendations

82. The Committee recommends that:

- (a) Member States urgently reach consensus on the composition, rotation and selection procedures for the Committee in a timely manner to allow Member States to nominate and select new members, and to allow for continuity through a composition of current and new members in 2011.

- (b) Member States continue examination of the Committee's recommendations, in particular those contained in the Committee's Assessment Report.
- (c) Member States consider the approval of resources for Professional Secretariat support to the Committee;
- (d) The Chair and Vice Chair of the Committee be associated with all the consultations on Committee recommendations.

AGENDA ITEM 12

OTHER MATTERS

A. Next Meeting of the WIPO Audit Committee

83. The next meeting of the Committee is tentatively scheduled to take place from Monday, July 5 to Friday, July 9, 2010.

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

1. Meeting with the Director General and the Senior Management Team
2. Internal Controls:
 - A. Internal Audit and Oversight Division Staffing
 - B. Follow-up on Implementation of Oversight Recommendations
 - C. Update on Investigations
 - D. Internal Audit Reports
 - E. Work plans
 - F. Evaluation
3. Meeting with the External Auditor
4. Enterprise Resource Planning (ERP)
5. Strategic Realignment Program
 - A. Strategic Realignment Program Plan
 - B. Voluntary Separation Program
6. External Auditor Selection Process
7. New Construction Projects
8. Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee
9. Meeting with Representatives of WIPO Member States
10. Other Matters

[Annex I follows]

WIPO



WO/AC/16/2

ORIGINAL: English

DATE: April 12, 2010

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

E

WIPO AUDIT COMMITTEE

Sixteenth Meeting Geneva, April 12 to 16, 2010

AGENDA

adopted by the WIPO Audit Committee

1. Adoption of the Agenda
2. Meeting with the Senior Management Team
3. Internal Controls:
 - A. Internal Audit and Oversight Staffing
 - B. Follow-up on Implementation of Oversight Recommendations
 - C. Update on Investigations
 - D. Internal Audit Reports
 - E. Work plans
 - F. Evaluation
4. Meeting with the External Auditor
5. International Public Sector Accounting Standards (IPSAS) and 2008/9 Accounts
6. Enterprise Resource Planning (ERP)
7. External Auditor Selection Process

/...

8. Strategic Realignment Program
 - A. Strategic Realignment Program Plan
 - B. Voluntary Separation Program
9. New Construction Projects
10. Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee
11. Meeting with Representatives of WIPO Member States
12. Other Matters

[Annex II follows]

ANNEX II

LIST OF DOCUMENTS

Documents appearing in Italics denotes those transmitted after the document receipt deadline of two weeks prior to a Committee meeting

Item 1: Adoption of Agenda

WO/AC/16/1 Prov. "Draft Agenda"

Item 2: Meeting with Senior Management Team

WO/CC/61/2 "Appointment of Deputy Directors General and Assistant Directors General", dated May 29, 2009

Item 3: Internal Controls

Internal Gap Assessment Study

Letters relating to the Internal Control Gap Assessment Study from Mr. Zevenbergen to Mr. Treen, dated September 16, 2009, and from Mr. Treen to Mr. Zevenbergen dated September 21, 2009.

Agenda Items:

- A. Internal Audit and Oversight Division Staffing - no documents
- B. Follow-up on Implementation of Oversight Recommendations - no documents
- C. Update on Investigations
 - Memorandum "IAOD Investigation Section Annual Activity Report for 2009 and General Investigation Plan for 2010" from Nick Treen to Director General, dated Jan. 26, 2010;
 - Investigation Section Annual Activity Report, dated January 20, 2010;
 - Investigation Section General Investigation Plan for 2010, dated January 20, 2010;
 - *Memorandum "IAOD half yearly summary report on investigation cases as at March 25, 2010", from Nick Treen to Director General, dated March 25, 2010;*
 - *Memorandum "IAOD Half Yearly Summary Report on Investigation Cases as at March 25, 210", from Director General to Nick Treen, dated March 30, 2010; and*
 - Extract "Independence of Internal Oversight" from UN document A/64/288 Activities of the Independent Audit Advisory Committee for the period from 1 August 2008 to 31 July 2009", dated August 25, 2009.

C. Internal Audit Reports

- Document IA/01/2009: “Audit of Travel and Mission Support in WIPO”, with covering Internal Memorandum, dated March 11, 2009, from Mr. Treen to the Director General;
- Document IA/04/2009: “Final Audit Report on the PCT Revenue Generation Process”, and transmittal Memorandum, from Mr. Treen to the Director General, both dated November 4, 2009. (First issue: AC/15); and,
- Document IA/06/2009: “Final Audit Report on the Revenue Generation Process for the Madrid and the Hague Systems”, and transmittal Memorandum, from Mr. Treen to the Director General, both dated December 21, 2009.

D. Work plans

- “Internal Audit Planning for 2010/2011 biennium” and Transmittal Memorandum from Mr. Treen to the Director General, dated December 30, 2009;
- Memorandum from Director General to Nick Treen “Internal Audit Planning for 2010/11 Biennium”, dated February 12, 2010;
- E-mail from Nick Treen to Director General, dated February 15, 2010 “Internal Audit Planning for 2010/11”;
- *“Final Internal Audit Planning for the 2010/11 Biennium” and Transmittal Memorandum from Nick Treen to the Director General, dated March 23, 2010;*
- “IAOD Quarterly Summary Report – October – December 2009” and Transmittal Memorandum from Nick Treen to the Director General, dated January 28, 2010; and,
- *“IAOD Quarterly Summary Report January-March 2010” and Transmittal Memorandum from Mr. Treen to the Director General, dated April 14, 2010.*

E. Evaluation

- “WIPO 2010-2015 Evaluation Strategy” with transmittal memorandum from Mr. Treen to the Director General dated December 17, 2009;
- Document EV/04/2009 “2010-2011 Biennial Evaluation Plan”, dated December 17, 2009; and,
- Document EV/05/2009 2009 “Detailed Activity Report”, dated December 17, 2009.

Item 4: Meeting with the External Auditor

- Extract AC Assessment Report – Part III “Gov. & Oversight Mechanisms in UN System” paragraphs 29 to 41;
- “The WIPO Oversight System. Cooperation and Allocation of Roles and Responsibilities between the Audit Committee and the External and Internal Auditors”, prepared by Mr. Kurt Grüter, External Auditor, dated February 1, 2010; and,
- “*Cooperation and Allocation of Roles and Responsibilities between the External Auditor, the Internal Auditor and the WIPO Audit Committee*”, prepared by Mr. Pieter Zevenbergen, Audit Committee Member, transmitted April 7, 2010.

Item 5: International Public Sector Accounting Standards (IPSAS) and 2008/09 Biennium Accounts

- “FRR-IPSAS Project Update for the Audit Committee”, prepared by R. Lawson, Project Manager, dated March 22, 2010;
- *Note on “IPSAS Implementation”, dated March 29, 2010;*
- *WIPO Financial Statements for the biennium ending December 31, 2009, with transmittal letter, dated March 31, 2009; and*
- *“Note de discussion finale. OMPI (WIPO) Interim Audit 2009. Audit intermédiaire 2009 des comptes de l’exercice biennal 2009 – 2009 de l’OMPI”*

Item 6: Enterprise Resource Planning (ERP)

WO/PBC/12/4(c) Proposal for the Implementation of an Enterprise Resource Planning (ERP) System.

Item 7: External Auditor Selection Process

- WO/PBC/14/5 “Process for Selection of External Auditor” (WO/GA/38/15 “Process for Selection of External Auditor”);
- WO/PBC/14/13 “Report” of the fourteenth session of the Program and Budget Committee;
- Extract WO/GA/38/20 “Report” of the General Assembly;
- Circular CN 3063 “Appointment of the External Auditor” dated December 15, 2009;

- Note Verbale dated March 11, 2010, on Selection Panel for External Auditor;
- “*External Auditor Selection Process*”, dated March 29, 2010, prepared by Mr. Favatier and Ms. Cook Robbins;
- “*Annex C. Call for Proposals for the Appointment of the External Auditor of WIPO*”; and,
- *Copies of Note verbales to the Permanent Missions of Sweden, Zambia, India, United Kingdom, Latvia, Malaysia, Norway, Pakistan, and Spain, dated March 30, 2010.*

Item 8: Strategic Realignment Program

A. Strategic Realignment Program

“Report on the Progress on the Strategic Realignment Program to the WIPO Audit Committee”, dated April 2010 .

B. Voluntary Separation Program

- *Powerpoint slides “Voluntary Separation Program (VSP) 2009-2010”, dated April 12, 2010, prepared by Human Resources Division;*
- *Powerpoint slides presented at fifteenth session of the WIPO Audit Committee;*
- *Office Instruction OI/56/2009 “Voluntary Separation Program – Extension of Deadline”, dated September 17, 2009; and,*
- *Office Instruction OI/44/2009 “Voluntary Separation Program”, dated July 20, 2009.*

Item 9: New Construction Projects

Progress Reports and Timetable

- *Progress Report by the Pilot, dated March 31, 2010*
- *Progress Report on the WIPO Construction Projects, dated March 31, 2010, issued for the Construction Committee by I. Boutillon (Secretary); and,*
- *Indicative Timetable for Occupation of the New Building, dated March 31, 2010*

WIPO Construction Projects Charter

- WIPO Construction Projects Charter v. 09 (2010) issued on March 26, 2010;
and,
- Track changes version of Charter showing differences between vs. 08 and 09.

Contracts and Contracts Addenda

Tables of Contracts and Contracts Addenda, dated March 31, 2010.

Risk Register

WIPO Risk Register - updates Nos. 24 and 25, dated March 26, 2010.

Cashflow

“Cashflow Projections” dated April 12, 2010.

Carbon Neutrality Project

*Progress Report on the Carbon Neutrality Project, dated April 6, 2010, issued by
I. Boutillon (Project Manager).*

Item 10: Follow-up on the Report on the Assessment of the Work and Operations of the
WIPO Audit Committee - no documents

Item 11: Meeting with the Working Group on the Composition of the WIPO Audit Committee
and Implementation of its Recommendations - no documents

[Annex III follows]

Meeting with Representatives of WIPO Member States
April 16, 2010

List of Participants

ALGERIA

Hayet MEHADJI (Mrs), First Secretary, Permanent Mission, Geneva

ANGOLA

Makiese KINKELA AUGUSTO, Third Secretary, Permanent Mission, Geneva

CHINA

WANG Xiaoying, First Secretary, Permanent Mission, Geneva

EGYPT

Mohamed GAD, First Secretary, Permanent Mission, Geneva

FRANCE

Albert ALLO, Counselor, Financial Affairs, Permanent Mission, Geneva

SLOVENIA

Andrej LOGAR, Ambassador, Permanent Mission, Geneva

Dušan VUJADINOVIČ, Counsellor, Permanent Mission, Geneva

SWITZERLAND

Alexandra GRAZIOLI (Ms.), Senior Legal Advisor, Swiss Federal Institute of Intellectual Property, Berne

THAILAND

Tanyarat MUNGKALARUNGSU, First Secretary, Permanent Mission, Geneva

TUNISIA

Mohamed Abderraouf BDIQUI, Counsellor, Permanent Mission, Geneva

[Annex III follows]

ANNEX IV

Cooperation and Allocation of Roles and Responsibilities
between the
External Auditor, the Internal Auditor and the WIPO Audit Committee

Paper prepared by Mr. Pieter Zevenbergen,
WIPO Audit Committee
April 2010

Introduction

This paper presents ideas on the cooperation and allocation of roles and responsibilities between the External Auditor, the Internal Auditor and the WIPO Audit Committee, and complements the paper prepared by the External Auditor entitled “The WIPO Oversight System” dated February 1, 2010.

“In virtually all jurisdictions, the public sector plays a major role in society, and effective governance in the public sector can encourage the efficient use of resources, encourage accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improve people’s lives. Effective governance is also essential for building confidence in public sector entities - which is in itself necessary if public sector entities are to be effective in meeting their objectives”
(International Federation of Accountants (IFAC) Corporate Governance in the Public Sector A Governing Body Perspective, 2001).

1. Organisation of the External Audit of WIPO’s Accounts and Activities of the Swiss Federal Audit Office

One of the tasks on the road to development of good governance and the applicable rules and regulations is to enhance good governance and reinforce WIPO’s executive ability and public trust. In international organisations the nations/states entrust the management of the resources to the (appointed) members of top management of WIPO. The General Assembly (GA) approves the budget for the Executive (top management) for the administration of WIPO’s business. At the end of the biennium, the Executive is required to render an account of its stewardship to the GA. Since the GA cannot verify the accounts submitted by the Executive, the External Auditor (EA) is mandated by the rules of WIPO to audit these accounts and report its findings to the GA.

The GA relies on the S.F.A.O. to provide independent assurance that WIPO’s activities are carried out, and accounted for, consistent with the intentions of the GA. The role of the S.F.A.O. is an important element of helping to maintain the integrity of any system of government. The EA ensures that the GA has access to independent audit information as part of the framework of accountability and scrutiny of the Executive.

The report of the EA on the reasonableness and fairness of the accounts assures the GA and stakeholders that the resources approved by Member States have utilised for the purpose intended. The EA also undertakes value for money audits to inform the Executive about the economy, efficiency and effectiveness with which projects have been executed. This latter audit affords the Director General the opportunity to improve the Organization's performance.

As WIPO management exercises the power of managing the economy in the field of patents and intellectual property on behalf of Member States, it must respect, abide by and safeguard law, rules and regulations, and stick to the principle of an administration according to law, rules and regulations.

The audit institutions are an important part of the administrative oversight system and play an important role in promoting law, rules and regulations-based administration and building governance ruled by law, rules and regulations.

Building a low cost, high efficiency administration is an important objective for modern public management. In recent years, international organizations have been taking a series of steps to reduce administration costs and improve the administration efficiency. As a response to this requirement, audit institutions have intensified audits over government and other financial revenues and expenditures, and meanwhile promoted performance audit in an gradual way.

2. Openness and Transparency of Administration Actions

Accountability, transparency and open information systems are an important aspect of good governance, and transparent decision-making is critical for the public sector to make sound decisions and investments. Accountability and the rule of law require openness and good information so that higher levels of administration, external reviewers and stakeholders can verify performance and compliance with law.

“The principles of good governance – transparency and accountability; fairness and equity; efficiency and effectiveness; respect for the rule of law; and high standards of ethical behaviour – represent the basis upon which to build open government.” (Organisation for Economic Co-operation and Development (OECD) Policy Brief, Public Sector Modernisation Open Government, 2005)

The public expects that those responsible for handling public money are held fully accountable for the use of that money. Making audit results transparent enables stakeholders and the public to understand how WIPO programs are performing and whether the performance of these programs is being improved. It is an important channel through which the public watches and monitors government revenues and expenditures.

3. Promoting Good Governance

By providing oversight, insight and foresight services, audit institutions help ensure that WIPO's officials manage public funds and other resources transparently, fairly, and honestly, with equity and probity, while conducting their own work using the highest standards of integrity.

4. Oversight

Good governance requires continuing oversight to ensure that policy is implemented as intended, strategies are met, and the overall performance of management meets expectations and needs within policy laws and regulations. Audit institutions assist governing bodies in exercising oversight by evaluating whether WIPO's Executive entities are doing what they are supposed to do, spending funds for the intended purpose, and complying with laws and regulations. It is also the responsibility of audit institutions to evaluate the efficiency and effectiveness on the implementation of programmes and activities of WIPO's Executive, to ensure compliance with environmental standards and to promote good governance.

5. Insight

Audit institutions could provide insight to assist auditees and other decision-makers by assessing which programs and policies are working and which are not, providing feedback to adjust policies and by sharing best practices information.

By conducting their work systematically and objectively and drawing conclusions based on evidence, audit institutions provide a fair description of problems and weaknesses, their impact and responsibilities and combine them with useful recommendations.

6. Foresight

The risk-based audit approach focuses the audit on the organisation's overall risk management framework, which can help identify and deter unacceptable risks. Through risk-based auditing, the audit activity provides useful and relevant information to the organisation for managing its risks.

Audit institution also help organisations to look forward by identifying trends and bringing attention to emerging challenges before they become crises. This helps to support decision making.

7. Code of Conduct

The conduct of auditors should be beyond reproach at all times and in all circumstances. Audit Institutions are required to adhere to the Code of Ethics of International Organisation of Supreme Audit Institutions (INTOSAI) or another systematic approach in the field of Ethics.

8. Objectivity, Integrity and Honesty

Audit institutions are required to be totally committed to the principles of objectivity, integrity and honesty to inspire public confidence and trust. To maintain their objectivity, integrity and honesty, audit institutions perform their work and make decisions that are consistent with the broader interest of those relying on their report, including the public.

Through these roles, audit institutions strengthen public governance. By providing for accountability, protecting the core values of government and providing oversight, insight and foresight services, government auditors help ensure that managers and officials conduct the public's business transparently, fairly, and honestly, with equity and probity, while conducting their own work using the highest standards of integrity.

9. From Accountability to Good Governance

In a traditional, formal sense, public accountability may be described as the obligation of public organisations to publicly present an account of and answers for the execution of responsibilities to those who entrusted them with those responsibilities.

In a more modern and open sense, it may be defined as a social relationship in which a public organisation feels an obligation to publicly explain and justify its conduct to some significant others.

Public accountability has three main functions (Bovens, 2005):

- democratic control: it provides political representatives and voters with the necessary inputs for judging the fairness, effectiveness and efficiency of governance. As such, public accountability may be characterised as a hallmark and a sine qua non for democratic governance;
- enhancing integrity: the public character of the account-giving is a safeguard against corruption, nepotism, abuse of power and other forms of inappropriate behaviour;
- improving performance: it fosters individual or institutional learning.

Together, these three functions create a fourth function of public accountability: to maintain or enhance the legitimacy of public governance.

Through their commitment to public accountability, audit institutions thus contribute to all these dimensions of public governance and, in doing so, to the quality and vitality of democracy. This brings us to the concept of good governance, of which public accountability is an important aspect.

Good governance lies at the heart of the work of every audit institution. A good point of departure in this regard is a UN definition of good governance, which is based on 8 characteristics.

- | | |
|--------------|---|
| Democracy: | 1. Participatory
2. Consensus seeking |
| Rule of law: | 1. Follow the rules of law
2. Impartial and open |
| Operation: | 1. Demand driven
2. Effective and efficient |
| Performance: | 1. Transparent
2. Accountable |

Together, the EA, the internal auditor and the WIPO Audit Committee should have as objective to investigate and improve the regularity, efficiency, effectiveness and integrity of the WIPO administration.

In this regard we provide the GA, the administration and stakeholders with information based on audits and audit/oversight experience.

In principle the information is also available to the public in general. In addition, we (the three) have a duty to contribute to good public administration by sharing information and by working with others in Geneva or New York.

I personally believe that quality, reliability and practicability are the main factors of our products and independence, and efficiency and effectiveness to be the hall marks of our working methods.

10. Strategy: focus on performance and functioning of the public administration.

The audit administrations focus their audit work on the performance and operation of the (public) administration. All our audits address issues relating to the sustainability of public finance, the information status of the GA, the fact that policy and its implementation are fragmented, UN-wide implications of policy and integrity.

The activities in relation to performance focus on policy and its implementation – and the linkages between them – by top management and the institutions associated with it. The key elements of good governance in this regard are demand-driven and, efficiency and effectiveness. As a consequence, our audits seek to ascertain:

- whether WIPO's policy is responsive to the needs member states and/of stakeholders;
- WIPO's whether policy is feasible and enforceable (i.e. the efficacy of policy);
- whether policy is effective and efficient;
- whether public organisation e.g. WIPO are capable of learning.

In addition, certain set WIPO's priorities to make optimum use of the limited capacity. The audit agenda might be limited to areas that by and large depend on performance.

The limited capacity sets out a need to prioritize. Audit work on the operation of the (public) administration focuses on transparency and accountability. A principal activity here is the annual/bimannual regularity audit.

This means seeking to ascertain whether:

- the relevant information is available to those concerned;
- the budget and the annual report are reasonable;

11. Effective Audit Work

Work in both strategic areas has to produce results that can be used – and are indeed actually used in practice – by the management and GA. To this end, focus on the quality and choice of subject matter, the timing and accessibility of the audits. Audit institutions do not operate in isolation. The use of monitoring communication, account management and information-sharing enable to remain in permanent contact with the external environment.

Conclusion

The above invites the audit institutions to discuss and decide on priorities. It is also an invitation to Top Management of WIPO to discuss the characteristics of good governance.

[End Annex IV and of document]