

## **WIPO Independent Advisory Oversight Committee**

**Twenty-Second Session**  
**Geneva, August 30 to September 2, 2011**

REPORT

*adopted by the WIPO Independent Advisory Oversight Committee*

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## INTRODUCTION

1. The twenty-second session of the WIPO Independent Advisory Oversight Committee (hereinafter referred to as “the Committee” or “IAOC”) took place from August 30 to September 2, 2011. Present were Ms. Maria Beatriz Sanz Redrado (Chair), Mr. Fernando Nikitin (Vice Chair), Messrs. Anol N. Chatterji, Kjell Larsson, Nikolay V. Lozinskiy, Ma Fang, Gian Piero Roz and Ms. Mary T. Ncube. Mr. George Haddad had sent apologies for his absence.

## AGENDA ITEM 1: ADOPTION OF THE AGENDA

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

## AGENDA ITEM 2: MEETING WITH THE DIRECTOR GENERAL

4. Pursuant to its twenty-first session (document WO/IAOC/21/2, paragraph 6), the Committee discussed with the Director General his written responses on the eleven outstanding IAOC recommendations that the Committee had ranked as being of very high risk. In respect of the first ten recommendations, the Committee considered that adequate action was being taken and that these could be considered as closed. Regarding the eleventh recommendation concerning internal audit and the overall effectiveness of internal control, the Committee is of the view that the residual risk remains very high within the context of non-implementation of appropriate and adequate internal audits. The IAOC will continue to monitor this recommendation as part of the periodical oversight recommendations follow-up process.
5. The IAOC also revisited follow-up procedures in respect of its own recommendations, as distinct from recommendations of the Internal or External Auditors. The IAOC agreed that its own recommendations should continue to be followed up with the Director General and in line with Office Instruction No. 16/2010 but that the recommendations would be separately numbered and differentiated from other sources. It was also agreed that the Director General would provide his comments on these recommendations at least 15 days prior to the following IAOC meeting. The comments would include a timeframe indication and implementation schedule within which such action would be completed and progress in this regard would be communicated to the IAOC periodically. Such recommendations would then be considered as provisionally settled subject to review by the Internal Audit and Oversight Division (IAOD).
6. With respect to audit recommendations made by the Internal Audit Division, the Director of IAOD would bring to the attention of the IAOC those issues which he considers to be of very high or high risk, for such action as the IAOC may consider appropriate.

## AGENDA ITEM 3: MEETING WITH THE EXTERNAL AUDITOR

7. The Committee met with the External Auditor and the Chief Financial Officer (Controller).
8. The IAOC wishes to place on record its appreciation of the efforts made by the Secretariat which have resulted in the successful implementation of the International Public Sector Accounting Standards (IPSAS). The Committee also recognized the valuable contribution of the External Auditors in this effort.

9. The IAOC took note of the observation made by the External Auditor regarding the need to ensure availability of necessary skills within WIPO (see document WO/PBC/18/4, paragraph 19). In particular, the success and sustainability of WIPO's efforts in implementing IPSAS was at risk due to the lower than expected level of in-house expertise on IPSAS. Accordingly, the IAOC would like to emphasize that the recruitment of an IPSAS specialist should be treated as a matter of high priority. The Committee also urges that there should be a timebound program to equip all personnel in the Department of Finance and Budget with appropriate knowledge and skills of IPSAS based accounting relating to their particular functions.

10. Since WIPO has embarked on the introduction of an Enterprise Resource Planning (ERP) system, the IAOC reiterates its earlier recommendation (see document WO/AC/7/2, paragraph 20 (b) and (c)) that all personnel be given training in ICT skills so that they are enabled to adopt ERP-based processes that would replace existing manual or legacy ICT systems.

11. The Committee discussed with the External Auditor comments contained in paragraphs 49 to 52 of the Annex of document WO/PBC/18/4 regarding actuarial commitment relating to WIPO staff pensions. The Committee was informed that this issue concerned all United Nations agencies and not only WIPO. The External Auditor had submitted the matter to the United Nations Panel of External Auditors and it was currently the subject of broad discussion.

#### AGENDA ITEM 4: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

12. The Committee met with the Director of IAOD, the Head of the Internal Audit Section and a Consultant Auditor.

13. At its 21<sup>st</sup> session, the IAOC requested IAOD to carry out the respective due diligence verification work on all oversight recommendations and provide the Committee with a residual risk analysis (see document WO/IAOC/21/2, paragraph 6).

14. The Committee was presented with a report "Verification of Implementation of Independent Advisory Oversight Recommendations" (Internal Audit Report IA/08/2011), which concluded that of the outstanding 96 recommendations that the Committee had ranked as being of high risk, a total of 82 recommendations now had low or medium residual risk ranking. However, IAOD had also noted that only 52 recommendations had been verified by them as implemented. The Committee expects that IAOD will perform further due diligence on the remaining recommendations, some of which were reported by Management as completed, no longer applicable, or in progress.

15. The Committee also observed that there were still recommendations with common themes that may merit root cause analysis and consolidation to the extent possible.

16. The IAOC also discussed with the Director of IAOD the system for follow up on oversight recommendations, including accountability and verification. In spite of the progress already made, the Committee was of the opinion that the current system is still not efficient and effective enough, and that the follow up procedures and processes need to be significantly improved. The IAOC will pursue this matter with the Secretariat and provide input on the issue.

17. The Committee was also briefed on the contents of Internal Audit Report "Review of the Procurement Activities (IA/3/2011)" as well as a "Progress Report on the Verification of Information Technology and Security related IAOD recommendation (IA/09/2011)". The Committee reiterates recommendations made at previous meetings when the first audit reports on these subjects were reviewed (documents WO/AC/9/2 (paragraphs 10 to 13), WO/AC/11/2 (paragraph 16(d)) and WO/AC/13/2 (paragraphs 26 to 29)).

18. The IAOC requests an update by Management on the internal audit reports, in particular those dealing with Procurement and ICT, and of all other open recommendations at the next IAOC meeting in November.

#### AGENDA ITEM 5: RISK MANAGEMENT AND INTERNAL CONTROLS

19. The Committee met with the Assistant Director General for Administration and Management, the Chief Financial Officer (Controller), the Director, Resource Planning, Program Management and Performance Division, the Head of the Budget Section and a Consultant of the Strategic Realignment Program (SRP)-Project Management Office.

20. The Committee was briefed on the progress on the implementation on the initiative for strengthening internal control and risk management as part of the Strategic Realignment Program (SRP) initiatives Nos. 5 and 15 and advised that a Request for Proposals had been issued for an external company to guide the implementation of a comprehensive internal control system.

21. The Committee was also informed that the "Final Audit Report on the Internal Control Review and Gap Assessment at WIPO" (IA/01/2010) will serve as a key element for the development of the project. The Committee recalled that it had reviewed the Gap Assessment report at its 17<sup>th</sup> session and subsequently recommended that the report should be brought to the attention of Member States, and that the WIPO Entity-level Control Gap and Analysis Tool contained in the report should be used regularly by the SRP Project Management Office to provide the Senior Management Team with a tool to monitor progress made in overcoming internal control gaps identified (see document WO/AC/17/2, paragraph 66).

22. The Committee would like to be briefed at its 24<sup>th</sup> session in the first quarter of 2012 on current risk management practices across the Secretariat. The briefing should include the status of progress on implementation of recommendations on risk management and internal controls made by any auditor, consultant, Committee, or contained in any internal management report.

23. The Committee took note of the IAOD document titled "Revised 2011 Audit Plan and Internal Audit Progress Report", dated August 19, 2011. In this regard, and with reference to the Committee's observation at its 21<sup>st</sup> session (paragraph 16 of document WO/IAOC/21/2), the IAOC still has reservations on IAOD's annual plan. The Committee reiterates that "IAOD annual plans should be a standing item until a level of comfort with the coverage of the collective assurance activities is reached", as well as its observations contained in paragraphs 14 to 17 of the report of its 21<sup>st</sup> session (document WO/IAOC/21/2).

#### AGENDA ITEM 6: NEW CONSTRUCTION PROJECTS

24. The Committee met with the Director of the Premises Infrastructure Division and was briefed on the progress of the Projects as contained in documents WO/PBC/18/9 and WO/PBC/18/10.

25. The IAOC would like to place on record that it exercises an oversight function based on information provided to it by the Secretariat or in the reports of the Internal and External Auditors but does not perform actual audits. The IAOC has therefore exercised an oversight function on an ongoing basis but has not audited the expenditures incurred to date on the New Administrative Building.

26. In time for its next meeting in November, the IAOC requests detailed information on the total cost of construction of the New Administrative Building. The Committee also requests detailed information of the sums paid to third parties on account of the delayed delivery of the New Administrative Building by the general contractor and separately the total amount which will eventually be recovered from the General Contractor on account of this delayed delivery.

27. With respect to the New Conference Hall Project, the Committee decided that it would follow up on management's plans to bring the total cost of construction down to the approved budget level as requested by the Selection Board, and as reflected in paragraphs 26 and 28 of Internal Audit Report IA/02/2011 "Review of WIPO Risk Registers for the Construction Projects".

#### AGENDA ITEM 7: WIPO DEVELOPMENT AGENDA

28. The Committee met with the Deputy Director General for Development, the Acting Deputy Director and a Consultant of the Development Agenda Coordination Division and the Head of the Program Management and Performance Section.

29. The IAOC was informed on the mainstreaming of Development Agenda projects as well as on how the share of development activities in the proposed Program and Budget for the 2012/13 biennium had been derived.

30. The Committee was further informed that, pending the implementation of the ERP system, the Secretariat was working on an interim solution for tracking actual expenditure on development activities, to be deployed for January 2012.

#### AGENDA ITEM 8: WIPO OMBUDS-FUNCTION

31. The IAOC met with the Chief of Staff and the WIPO Ombudsperson and benefited from an induction on the Ombuds-function at WIPO.

#### AGENDA ITEM 9: SECRETARIAT INFORMATION SESSION ON THE 18<sup>TH</sup> SESSION OF THE PROGRAM AND BUDGET COMMITTEE

32. The IAOC also benefited from an Information Session on the 18<sup>th</sup> Session of the Program and Budget Committee from the Assistant Director General for Administration and Management, the Chief Financial Officer (Controller), the Director, Resource Planning, Program Management and Performance Division and the Head of the Budget Section.

#### AGENDA ITEM 10: INFORMATION SESSION FOR WIPO MEMBER STATES

33. An Information Session for Member States was held, attended by representatives of 22 Member States. The Committee briefed the representatives on the contents of the present report and a question and answer session followed.

AGENDA ITEM 11: OTHER MATTERS

34. The Committee's next meeting is scheduled to take place from Tuesday, November 1 to Friday, November 4, 2011.

35. Subject to further discussion by the Committee, the draft Agenda for that meeting is anticipated to include, *inter alia*:

1. Meeting with the Director General
2. Follow-up on Oversight Recommendations
3. Presentation on ICT Operations
4. Presentation on Procurement
5. Investigations
8. IAOC Work Program for 2012
9. Information Session for WIPO Member States
10. Other Matters

[Annex I follows]



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## **WIPO Independent Advisory Oversight Committee**

**Twenty-Second Session  
Geneva, August 30 to September 2, 2011**

### DRAFT AGENDA

*prepared by the WIPO Independent Advisory Oversight Committee*

3. Adoption of the Agenda
4. Meeting with the Director General
5. Meeting with the External Auditor
6. Follow-up on Oversight Recommendations
7. Risk Management and Internal Controls
8. New Construction Projects
9. WIPO Development Agenda
10. WIPO Ombuds-function
11. Secretariat Information Session on the 18<sup>th</sup> Session of the Program and Budget Committee
12. Information Session for WIPO Member States
13. Other Matters

[Annex II follows]

## LIST OF DOCUMENTS

### Agenda item 2

#### MEETING WITH THE DIRECTOR GENERAL

Letter from the Director General to the IAOC Chair, dated July 26, 2011

Response of the Director General on the 11 backlogged IAOC recommendations ranked by the IAOC as being of "Very High Risk"

Internal Audit Report IA/08/2011 "Verification of Implementation of Independent Advisory Oversight Committee Recommendations" dated August 18, 2011

- Final report and transmittal memorandum
- Annex I Verification Table

### Agenda item 3

#### MEETING WITH THE EXTERNAL AUDITOR

WO/PBC/18/3 (*2010 Financial Statements*)

WO/PBC/18/4 (*Report by the External Auditor : Audit of 2010 Financial Statements*)

Memorandum "IAOD Annual Report (July 2010 to June 2011) on External Auditor Recommendations", dated July 7, 2011, from the Director, IAOD to the Director General

Replies from Finance Services to questions raised by the IAOC at their 21<sup>st</sup> session (May 23 to 27, 2011) on Financial Statements, dated July 8, 2011

WO/PBC/18/17 (*Report by the External Auditor: Financial Supervision Audit of Human Resources*)

### Agenda item 4

#### FOLLOW UP ON OVERSIGHT RECOMMENDATIONS

Internal Audit Report IA/08/2011 "Verification of Implementation of Independent Advisory Oversight Committee Recommendations" dated August 18, 2011

- Final report and transmittal memorandum
- Annex I Verification Table

Progress Report on the Verification of Information Technology and Security related IAOD recommendations (IA.09.2011) and memorandum, dated August 22, 2011

Internal Audit Report IA/03/2011 “Review of Procurement Activities”,  
dated June 1, 2011

Internal Audit Report IA/02/2011 “Review of WIPO Risk Registers for the  
Construction Projects”, dated May 20, 2011

Internal Audit Report IA/07/2010 “Review of Development Sector  
Activities”, dated May 21, 2011

Agenda item 5

RISK MANAGEMENT AND INTERNAL CONTROLS

Strategic Realignment Progress Report, dated August 2011

IAOD Position Paper on Risk Quantification in the WIPO context, dated  
August 19, 2011

Revised 2011 Audit Plan and Internal Audit Progress Report, dated  
August 19, 2011

Agenda item 6

NEW CONSTRUCTION PROJECTS

WO/PBC/18/9 (*Progress Report on the New Construction Projects*)

WO/PBC/18/10 (*Progress Report and Proposal on the New Conference  
Hall Project*)

WO/PBC/18/6 (*Progress Report on the Security Upgrade Project for the  
Existing Premises see document*)

Internal Audit Report IA/02/2011 “Review of WIPO Risk Registers for the  
Construction Projects”, dated May 20, 2011

New Construction Hall Project Risk Register, dated July 31, 2011

Extract - High Level Risks from New Construction Hall Project Risk  
Register, dated July 31, 2011

Agenda item 7

WIPO DEVELOPMENT AGENDA

WO/PBC/18/5 (*Proposed Program and Budget for the 2012/13 Biennium*)

Q&A from Program and Budget Briefing Sessions, dated June 22, 2011

Results Framework 2012/13 (briefing note)

Agenda item 8

WIPO OMBUDS-FUNCTION

Office Instruction No. 32/2009 "The Office of the Ombudsman", dated June 23, 2009

Annex A "The Informal Approach" of Office Instruction No. 31/2009 "The WIPO Joint Grievance Panel", dated June 23, 2009

A/65/303 "Activities of the Office of the United Nations Ombudsman and Mediation Services. Report of the Secretary General", dated August 16, 2010

Agenda item 9

SECRETARIAT BRIEFING ON THE 18<sup>th</sup> SESSION OF THE PROGRAM AND BUDGET COMMITTEE (PBC/18)

WO/PBC/18/5 (*Proposed Program and Budget for the 2012/13 Biennium*)

Q&A from Program and Budget Briefing Sessions, dated June 22, 2011

Results Framework 2012/13 (briefing note)

Other Documents

Revised Evaluation Section Workplan 2011, dated August 23, 2011

IAOD 2010 Expenditures Estimated Outturn by Sector

Memorandum "Half Yearly Summary Report on Investigation Cases as at June 30, 2011", dated July 18, 2011, from the Director, IAOD to the Director General

Statistical Report on Closed Investigation Cases, May 2011

[End of Annex II and of document]