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**REVISED TERMS OF REFERENCE OF THE WIPO AUDIT COMMITTEE;
REVISED WIPO INTERNAL AUDIT CHARTER**

Document prepared by the Secretariat

1. At its twelfth Session, which took place from September 11 to 13, 2007, the Program and Budget Committee decided to recommend to the Assemblies to approve the terms of reference of the Audit Committee as contained in Annex III of document WO/PBC/WG/2/07/4, with an amendment consisting of replacing the word “program” with the words “budget allocation” in paragraph 15 of the said Annex, and the WIPO Internal Audit Charter, as contained in Annex IV of document WO/PBC/WG/2/07/4.

2. *The General Assembly is invited to approve the revised terms of reference of the WIPO Audit Committee, as contained in Annex I of this document, and the revised WIPO Internal Audit Charter, as contained in Annex II.*

[Annexes follow]

ANNEX I

REVISED TERMS OF REFERENCE
OF THE WIPO AUDIT COMMITTEE

A. PREAMBLE

1. In September 2005, the WIPO General Assembly approved the proposal of the Working Group of the Program and Budget Committee on the establishment of a WIPO Audit Committee in accordance with Annex II, A/41/10.

B. FUNCTIONS AND RESPONSIBILITIES

2. The Audit Committee of WIPO is an independent, expert advisory and external oversight body. It aims to assist Member States in their role of oversight and for better exercise of their governance responsibilities with respect to the various operations of WIPO. Its mandate is as follows:

(a) Promoting internal control by:

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

(b) Focusing assurance resources by:

- (i) Reviewing and monitoring the effectiveness of WIPO's internal audit function;
- (ii) Exchanging information and views with the external auditor, including his audit plan;
- (iii) Promoting effective coordination of activities between the internal and external audit function;
- (iv) Confirming audit and assurance arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the General Assembly.

(c) Overseeing audit performance by:

- (i) Monitoring the timely, effective and appropriate responses from management with regard to audit recommendations;
- (ii) Monitoring the implementation of audit recommendations;
- (iii) Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations.

(d) The Program and Budget Committee may from time to time request the Audit Committee to review or oversee particular activities and projects, such as:

- the New Construction Project,
- the WIPO desk-to-desk assessment, and
- any other major project.

(e) The Audit Committee shall make recommendations to the Program and Budget Committee on issues within the terms of reference of the Audit Committee, as it considers appropriate.

C. MEMBERSHIP AND QUALIFICATIONS

3. The Audit Committee shall have nine members elected by the Program and Budget Committee.

4. The nine members shall have an initial period of office of three years from appointment. The Program and Budget Committee will elect, as part of the renewal of the members, three new members effective 2009 with a third of the membership to be rotated annually thereafter bearing in mind the need for continuity and respect for geographical distribution. No member shall serve more than six years. Former members of the Audit Committee may be reappointed to the Audit Committee subject to not serving more than six years in aggregate.

5. The members of the Audit Committee shall select a Chair and Deputy Chair.

6. Member States in nominating candidates for election by the Program and Budget Committee shall ensure that the candidates possess relevant qualifications and experience, for example, in auditing, accounting, risk management, legal affairs, and other financial and administrative matters; expertise as well as geographical distribution and rotation should guide the selection process.

7. The Audit Committee should corporately possess the following competencies:

- (a) Technical or specialist knowledge of issues pertinent to the Organization's business;
- (b) Experience of managing similar sized organizations;
- (c) Understanding of the wider relevant environments in which the Organization operates, including its objectives, culture and structure;
- (d) Detailed understanding of the Organization's governance environment and accountability structures;
- (e) Oversight or management experience at senior level in the United Nations system.

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

D. MEETINGS AND QUORUM

9. The Audit Committee will meet regularly every quarter in formal meeting.
10. A minimum of five members of the Audit Committee are required to be present for a meeting of the Committee to be quorate.
11. The Audit Committee may invite officials of WIPO Secretariat or others to attend meetings.

E. REPORTING AND REVIEW

12. The Audit Committee shall keep Member States informed of its work on a regular basis. In particular, following each of its formal meetings the Committee shall prepare a report for circulation to the Program and Budget Committee.
13. Member States will review, every three years, the mandate, functioning and membership of the Audit Committee. However, Member States retain the possibility to ask for this review to be put on the Agenda of any session of the Program and Budget Committee.

F. SUPPORT BY THE WIPO SECRETARIAT

14. Assistance shall be provided to the Audit Committee from the WIPO Secretariat. This assistance shall be outside of the Internal Audit and Oversight Division of WIPO, in accordance with the principles of accountability and transparency. Functions of such logistical and technical assistance shall include: (a) logistical and administrative support. This would entail preparing for and attending Audit Committee meetings and assisting with preparing draft reports; (b) substantive and technical work in preparation for Audit Committee meetings, which may include research and background position papers, and others, as may be requested by the Audit Committee.

G. BUDGET

15. In its biennial budget WIPO shall provide a specific budget allocation for the Audit Committee, providing for costs on an annual basis associated with the approved activities and related expenditures as provided in the terms of reference, namely four formal meetings of four days each, attendance by Audit Committee members to the Program and Budget Committee and other meetings as required, secretarial and substantive support, and external consultancies.
16. Expenses for members of the Audit Committee will be paid by WIPO in accordance with WIPO's financial rules and regulations.

H. INFORMATION REQUIREMENTS

17. Well in advance of each formal meeting, the WIPO Secretariat shall provide the Audit Committee with documents and information related to its Agenda, and any other relevant information.

[Annex II follows]

ANNEX II

REVISED 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 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 effectiveness, efficiency, economy and rationalization of the internal procedures and use of resources, as well as ensuring compliance with WIPO’s Financial Regulations and Rules, Staff Regulations, Staff Rules, relevant General Assembly decisions, the applicable

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. 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.

accounting standards and the Standards of Conduct for 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 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. 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. 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.

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 WIPO Staff Regulations and Staff Rules, where information is transmitted to the Internal Auditor with knowledge of its falsity, or with willful disregard of its truth or falsity.

³ Conversely, the independent External Audit function is performed according to the terms of reference described in the WIPO Financial Regulations. WIPO's External Auditor is appointed by the WIPO Assemblies for renewable periods of four years.

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) In consultation with Member States, 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.
- (c) Prepare, publish, disseminate and maintain an internal audit manual and an investigation procedures manual. This shall include the terms of reference of the Internal Audit function and a compilation of audit and investigation procedures.
- (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) Liaise and coordinate with the External Auditor and monitor the follow-up of their recommendations.
- (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.
- (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.

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.

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 Staff Regulations and Staff Rules, with sufficient skills, experience and professional knowledge, and promote continuing professional development to meet the requirements of this Charter.

H. APPOINTMENT AND DISMISSAL OF THE 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, renewal, replacement or dismissal of the Internal Auditor shall be formally made by the Director General, taking into account the advice of the Coordination Committee. The Director General shall keep the Audit Committee informed of such actions. On the basis of such information, the Audit Committee shall provide, as appropriate, information through its reporting to the Program and Budget Committee. 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 review every three years.

[End of Annex II and of document]