

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO GENERAL ASSEMBLY

**Thirty-Sixth (18th Extraordinary) Session
Geneva, September 22 to 30, 2008**

REPORTS OF THE SEVENTH, EIGHTH AND
NINTH MEETINGS OF THE WIPO AUDIT COMMITTEE

document prepared by the Secretariat

1. The WIPO Audit Committee held its seventh, eighth and ninth meetings in December 2007, February 2008, and May 2008, respectively. The reports of these meetings are attached to this document.

2. *The General Assembly is invited to take note of the reports of the seventh, eighth and ninth meetings of the WIPO Audit Committee.*

[Attachment follows]

WIPO



WO/AC/9/2

ORIGINAL: English

DATE: May 30, 2008

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Ninth Meeting Geneva, May 19 to 22, 2008

REPORT

adopted by the WIPO Audit Committee

TABLE OF CONTENTS

	Paragraphs
Introduction	1 to 5
Agenda Items	
Item 1: Internal Audit and Oversight	6 to 17
A. Work of the Internal Audit and Oversight Division.....	6 to 9
B. Internal Audit Report on Procurement	10 to 13
C. Implementation Status of Oversight Recommendations.....	14 to 17
Item 2: Desk-to-Desk Review	18 to 34
A. Organizational Improvement Program (OIP).....	21 to 25
B. Human Resources (HR) Strategy	26 to 29
C. Financial Regulations and Rules (FRR).....	30 to 32
D. Information and Communication Technologies (ICT).....	33 & 34

Item 4:	New Construction Project	35 to 38
Item 5:	Other Matters	39 to 46
	A. Inductions	39 & 40
	B. Staff-Management Relations	41 & 42
	C. Financial Statements for the Biennium ended December 31, 2007	43 & 44
	D. Next Meeting	45 & 46
Annex I:	Agenda Adopted by the Committee	
Annex II:	List of Acronyms	

INTRODUCTION

1. The ninth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from May 19 to 22, 2008. Present were Messrs. Khalil Issa Othman (Chair), Pieter Zevenbergen (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Gian Piero Roz.
2. The Committee adopted the draft Agenda (Annex I).
3. The Committee was briefed by the Chair on the Forty-Fourth Assemblies of the Member States of WIPO, held on March 31, 2008, which adopted the Proposed Program and Budget for 2008/09.
4. The Chair also briefed the Committee on the Fifty-Eighth (20th Extraordinary) Session of the WIPO Coordination Committee, held on May 13, 2008, to nominate a candidate for the post of Director General, and at which Mr. Francis Gurry (Australia), was nominated as Director General-elect.
5. At his request, the Committee met with Mr. Francis Gurry, Deputy Director General, and Director General-elect.

AGENDA ITEM 1

INTERNAL AUDIT AND OVERSIGHT

A. WORK OF THE INTERNAL AUDIT AND OVERSIGHT DIVISION

6. The Committee was provided with the following documents:
 - Memorandum from the Chair to Mr. Treen, dated April 29, 2008, concerning the Ninth Meeting of the Committee;
 - “Internal Audit and Oversight Division (IAOD) Quarterly Summary Progress and Activity Report, January – March, 2008”, dated April 30, 2008, prepared by Mr. Treen, with a covering Memorandum dated May 5, 2008;
 - Memorandum from Mr. Treen to the Director General, dated May 15, 2008, concerning “Investigation Policy”;
 - Memorandum from Mr. Treen to the Director General, dated May 15, 2008, concerning “IAOD Investigation Plan, 2nd half 2008”;
 - Memorandum from Mrs. Weil-Guthmann to Mr. Treen, dated May 15, 2008, concerning “IAOD Quarterly Summary Progress Report: January to March 2008”; and,

- Memorandum from Mr. Treen to the Chair, dated January 24, 2008, concerning “WIPO Audit Committee Report of the 7th Meeting” (first issued for the eighth meeting of the Committee).

7. Further information and explanations were provided to the Committee by Internal Audit and Oversight Division (IAOD) staff, namely: Mr. Nick Treen, Director; Mr. Tuncay Efendioglu, Senior Internal Auditor; Mrs. Joan Connors, Senior Investigation Officer; Mrs. Julia Del Carmen Flores Marfetan, Senior Evaluation Officer; and, Mrs. Silvia Nuñez Giordano, Secretary.

8. Observations:

- (a) With respect to IAOD staffing, the Committee noted that: a Senior Investigator and a Senior Evaluation Officer had taken up their posts; recruitment of the Head of Evaluation was underway; and, a regular budget post for a second internal auditor had been identified. The Committee further noted Member States’ endorsement of the Director General’s proposal of a 92% overall increase, during the 2008/09 biennium, of IAOD resources (including two new posts), as compared with the 2007/08 initial budget. IAOD’s staffing situation has therefore improved.
- (b) The Committee observed that IAOD had not struck the right balance between core and non-core activities and, furthermore, that IAOD had become involved in activities outside of its oversight function, including the setting up of an ethics system (the responsibility for which falls within the purview of the Office of the Legal Counsel and the Human Resources Management Department (HRMD)), and taking on board the entire Program Performance Report process (the lead role for which should be taken by the Office of Strategic Planning and Policy Development).
- (c) With respect to the preparation of a Divisional Program Plan, and IAOD activities to date, the Committee did not share the view of the Director of IAOD that he had not been in a position to plan ahead or to initiate certain activities because of a dearth of staff. In the view of the Committee, the Director of the Division has borne, since assuming his post in January 2007, a special responsibility for effective and efficient use of IAOD human and financial resources, and for establishing a more robust Divisional Program Plan, within the framework of an internal control system in WIPO.
- (d) The Committee further observed that there continues to be a vacuum for a proper internal control system within WIPO and that this issue is not currently being addressed within the framework of the Organizational Improvement Program. There is an urgent need to establish an internal control system at WIPO, taking a holistic approach that integrates good governance, ethics, management, administration, risk assessment, monitoring, accountability and compliance. The Committee considers that this vacuum puts the Organization at risk, and will revert to this matter at its next meeting. In this connection, reference was made by the Committee to the *INTOSAI Guidelines for Internal Control Standards for the Public Sector* (<http://intosai.connexcc-hosting.net/blueline/upload/1guicspubsece.pdf>).

9. Recommendations:

- (a) Concerning staffing, the Director of IAOD, in consultation with the Controller and the Director of HRMD, should ensure the full establishment of IAOD's regular budget posts, including recruitment of a second auditor.
- (b) With respect to IAOD resources and activities:
 - (i) IAOD should devote its resources to core oversight functions;
 - (ii) Responsibility for setting up an ethics system should fall within the purview of the Office of the Legal Counsel and HRMD;
 - (iii) Responsibility for the Program Performance Report should be assigned to the Office of Strategic Planning and Policy Development; and,
 - (iv) IAOD should report on resource utilization to the Committee at its next meeting in August 2008 (see sub-paragraphs 8(a) and (b) above).
- (c) The Committee, reiterating a previous recommendation made at its seventh meeting in December 2007 (document WO/AC/7/2, paragraph 10(c)), urges the Director of IAOD to prepare a revised Divisional Program Plan that addresses the full mandate of IAOD, and submit this Plan to the Committee at its next meeting in August 2008.
- (d) The Secretariat should immediately undertake work on the identification and elaboration of a proper internal control system for WIPO, within the framework of the Organizational Improvement Program, and present a progress report to the Committee at its next meeting in August 2008. (See also paragraph 25(e), below).

B. INTERNAL AUDIT REPORT ON PROCUREMENT

10. The Committee was provided with the following document:

IAOD/IA/01/2007: "Final Audit Report. Review of Procurement System and Procedures", dated December 19, 2007, by the Internal Audit and Oversight Division.

11. Further information and explanations were provided to the Committee by Mr. Nick Treen, Director, and Mr. Tuncay Efendioglu, Senior Internal Auditor, IAOD, as well as Mr. Jaime Sevilla, Director, Procurement and Contracts Division.

12. Observations:

- (a) The Committee noted the internal audit report on procurement with appreciation, considering it to contain a number of valuable recommendations for increasing efficiency, accountability and transparency in the procurement

process. It further noted that, consequent to the report, the Contracts Review Committee (CRC) had been reconstituted, ensuring much needed checks and balances and a necessary separation of duties. However, many of the recommendations that the Committee considered relevant had not yet been acted upon, nor accepted, by the Procurement and Contracts Division.

- (b) The Committee also observed that, on the WIPO website:
 - (i) Procurement Notices, and access to the procurement pages were not immediately apparent, in contrast to the UN website;
 - (ii) contract awards were published for two weeks only; and,
 - (iii) an ethics code in force for procurement staff; current procurement procedures; and, procurement statistics had not been published, in contrast to the UN website.

13. Recommendations:

- (a) The Deputy Director General, General Affairs and Administration Sector, should again review, together with the Director, Procurement and Contracts Division, and IAOD, the status of implementation of the report recommendations, and present a progress report to the Committee at its next meeting in August 2008.
- (b) Consideration should be given to:
 - (i) amending the WIPO homepage to provide greater visibility to Procurement Notices and the procurement pages;
 - (ii) extending the length of publication of contracts awards;
 - (iii) publishing, on the procurement pages on both the WIPO public website and the Intranet, the following:
 - the ethics code in force in procurement, both for staff and vendors (pending the promulgation of an Organizational ethics code that will necessarily include procurement principles);
 - procedures in force for procurement, to be updated as required; and,
 - procurement statistics.
 - (iv) IAOD should report to the Committee on the above three points at the Committee's next meeting in August 2008.

C. IMPLEMENTATION OF OVERSIGHT RECOMMENDATIONS

14. The Committee was provided with the following documents:

- Memorandum from Mr. Treen to the Chair, dated May 14, 2008, concerning "Oversight Recommendations Follow up";
- Memorandum from Mr. Treen to WIPO Officials, dated April 28, 2008, concerning "List of Oversight Recommendations with Outstanding Implementation Status";
- "Part I: List of Open Oversight Recommendations with Outstanding Implementation Status";
- "Part II: List of Implemented WIPO Oversight Recommendations from 2002 to 2007"; and,
- Statistics on status of implementation of oversight recommendations for the period December 2007 to April 2008.

15. Further information and explanations were provided to the Committee by Mr. Nick Treen, Director, and Mr. Tuncay Efendioglu, Senior Internal Auditor, IAOD.

16. Observations:

- (a) The list of actions and replies to oversight recommendations highlights the fact that the role of oversight as a management tool to ensure compliance with the established rules and procedures and to improve the efficiency of the organization does not seem to have been fully embraced by the Organization at large.
- (b) The Committee considered that the information contained in the various documents relating to the status of implementation of oversight recommendations are of limited usefulness for monitoring purposes. In this regard, the Committee noted that, in many instances, the reporting of the status of implementation of oversight recommendations by the auditees remained vague and/or reflected a lack of progress in addressing the problems identified in the recommendations.
- (c) The Committee expressed concern over the overall low rate of implementation of oversight recommendations. It considered that, as also indicated in sub-paragraph 16(a) above, this signals a lack of appreciation on the part of management of the importance of internal controls and oversight.

17. Recommendations:

- (a) The Committee reiterates its earlier recommendations, made in the reports of its fifth and sixth meetings respectively (documents WO/AC/5/2, paragraph 18(f), and WO/AC/6/2, paragraph 28), relating to the need for introducing benchmarks for compliance and for reflecting the actions and

comments of the Director of IAOD when reporting the implementation status of oversight recommendations.

- (b) The Committee further reiterates its recommendations made in the report of its seventh meeting (document WO/AC/7/2, paragraph 10(e)), which stipulate that the Director of IAOD, in partnership with the responsible managers, should give assurances on the effective implementation of oversight recommendations.
- (c) The Committee recommends that consideration be given to amending the Internal Audit Charter, or to issuing an Office Instruction, to establish responsibility and accountability of Program Managers, as well as procedures, for the implementation of oversight recommendations.
- (d) The Committee recommends that IAOD reports to the Committee on sub-paragraphs 17(a), (b) and (c) above, at its next meeting in August 2008.

AGENDA ITEM 2

DESK-TO-DESK REVIEW

18. Under this Agenda Item, the Committee reviewed the Organizational Improvement Program (OIP) in general, as well as related initiatives (Performance Appraisal System (PAS) and Financial Regulations and Rules (FRR)). Reference was also made to Information and Communication Technologies (ICT).

19. The Committee was provided with the following documents by the WIPO Secretariat:

Organizational Improvement Program

- Letter from Mr. Petit to the Chair, dated May 15, 2008;
- “Revised Road Map – May 2008”;
- “WIPO Organigram by Strategic Goals”; and,
- “Organizational Improvement Program (OIP) – Status Report”.

New Financial Regulations and Rules (FRR)

- Letter from Mrs. Graffigna to the Chair, dated May 8, 2008, with Annexes;
- Letter from Mrs. Graffigna to the Chair, dated February 15, 2008, with Annexes (first issue: eighth meeting of the Audit Committee (February 18 to 21, 2008)); and,

- New Financial Regulations and Rules of WIPO, applicable as of January 1, 2008.

20. Further information was provided orally to the Committee by Mr. Petit, Deputy Director General and Chair, Organizational Improvement Program Committee (OIPC), and OIPC members.

A. ORGANIZATIONAL IMPROVEMENT PROGRAM (OIP)

Background:

21. The WIPO General Assembly at its Thirty-Fourth (18th Ordinary) Session (September 25 to October 3, 2007) endorsed the Committee's recommendations (document WO/GA/34/16, paragraph 34), made at its sixth meeting (document WO/AC/6/2, paragraph 24), namely that:

- “(a) The Secretariat develops a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC's Final Report, and as recognized by the Secretariat in its report (WO/GA/34/12). Because such a program will not only be complex but likely to extend over a period of years, it should be constructed on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent);
- (b) The Secretariat should prepare a road map for the implementation of the program showing the organizational and resourcing requirements. This road map should be reviewed by the Committee at its meeting scheduled for the first week of December 2007;”

22. At its seventh meeting (document WO/AC/7/2), the Committee:

- (a) further stressed that a successful integrated program for organizational improvement could not be undertaken without, among other things: full engagement of management and staff; comprehensive flowcharting of the Organization's operations and mapping of all staff functions; and, the necessary resources and competencies;
- (b) noted that it would be difficult to address simultaneously the various initiatives proposed by OIPC; that proper critical path analyses for prioritizing initiatives would be expected to be a part of compiling the road map; and, that OIPC should be properly empowered with the necessary competencies;
- (c) further noted that senior officials of the Secretariat continued to advocate that the scope and planning for an integrated program for organizational improvement was limited by two key constraints, namely: non-approval by Member States of the Program and Budget for 2008/09; and, the transitional period running up to the appointment of the new Director General;

- (d) did not find those two factors entirely convincing, and continued to recommend that the Secretariat should make every effort to implement the General Assembly decision; and,
- (e) asked for progress on each of the different initiatives, including PAS, FRR, ICT, Enterprise Resource Planning (ERP), and others, and linkage among all initiatives.

23. The Committee understood from the Information Meeting for Member States of February 15, 2008, on progress made on the integrated program for organizational improvement and on the Desk-to-Desk Review, that Member States expected the Secretariat to implement their decision made at the WIPO General Assembly (document WO/GA/34/16, paragraph 34).

24. Observations:

- (a) The Committee noted that the General Assembly decision referred to above has not yet been implemented.
- (b) The Committee found that, except for the FRR, there was not much evidence of progress on the various OIP elements, and no indication that the initiatives mentioned above are either prioritized and/or linked in an integrated program.
- (c) The Secretariat informed the Committee that Minutes of the February 15 Information Meeting, as requested by the Committee in the report of its eighth meeting (document WO/AC/8/2, paragraph 13(a)) could not be provided for legal reasons. The Committee was informed that, as a consequence, the agreement of Member States had been sought on the establishment and circulation of a summary of the Meeting. Furthermore, the Secretariat was unable to provide definitive dates for the next Information Meeting for Member States.
- (d) The Committee noted that the WIPO Organigram by Strategic Goals, which had been distributed to Member States on March 31, 2008:
 - (i) included, for transparency purposes, total headcounts as of February 2008, including interns, consultants and short-term staff; and,
 - (ii) does not identify the functions, responsibilities and accountability of the numerous boxes appearing under the various departments and divisions. Thus the line of authority, and the existing linkages and synergies between the various organizational units are unclear, which limits the usefulness of the exercise as a management tool and as an instrument of internal control.
- (e) OIPC informed the Committee that a comprehensive assessment of the adequacy of current WIPO resources in terms of staffing composition, functions, competencies, skills, contractual arrangements and funding, along the lines prescribed in PwC's Final Report on the Desk-to-Desk Assessment, and endorsed by the WIPO General Assembly, would require a level of skills

and a capacity which the WIPO Secretariat is unable to provide from its internal resources.

25. Recommendations:

- (a) The Committee reiterates its earlier recommendations on the implementation of an integrated program for organizational improvement, and a roadmap for implementation, as decided by the General Assembly (document WO/GA/34/16, paragraph 24).
- (b) The Committee recommends that OIPC give urgent attention to the preparation of a consolidated and integrated plan encompassing the various OIP ongoing initiatives, and reiterates its earlier recommendation that such plan be supported by a system that would facilitate integration, planning, and monitoring, to be developed by the IT Division (see document WO/AC/8/2, paragraph 27(b)).
- (c) The Committee requests the Secretariat to pursue the preparation of a summary of discussions at the February 15 Information Meeting, and the establishment of a date for the next Information Meeting.
- (d) With respect to the WIPO Organigram by Strategic Goals, distributed to Member States on March 31, 2008, the Committee recommends that:
 - (i) further work on the refinement of the Organigram:
 - be linked to the objectives and strategies for each program as contained in the Program and Budget for 2008/09;
 - separately list the number of regular budget and temporary posts approved in the 2008/09 Program and Budget, together with the related headcounts;
 - identify D1 and D2 posts; and,
 - identify individuals under various contractual arrangements financed from non-personnel regular budget funds and other funding, such as Funds-in-Trust;
 - (ii) the Secretariat should prepare an Organigram along the lines of paragraph (d)(i) above, to become fully documented.
- (e) A further report should be made by OIPC to the Committee on the above matters, which should include an internal control system component (see paragraph 8(d)), in time for its next meeting in August 2008.

B. HUMAN RESOURCES STRATEGY

26. A powerpoint presentation was made to the Committee by Mr. Toledo, Director, HRMD, on four projects, namely: Development of a new Training Policy; Preparatory Work for the Performance Appraisal System (PAS) launch; Review of recruitment processes and practices; and, streamlining of current contractual arrangements in line with UN best practice.

27. During discussions, the Committee enquired about risk management for the PAS project, and the extent to which WIPO staff were aware of the Standards of Conduct of the International Civil Service Commission (ICSC), which form the basis of the ethics and integrity of WIPO staff.

28. Observations:

- (a) From the documentation and discussions, the Committee could not discern that progress had been made on the PAS project, and noted that no risk register had been established.
- (b) The Committee further noted that the ICSC Standards of Conduct were difficult to find on the Intranet.

29. Recommendations:

- (a) A detailed report, showing in concrete terms progress made on all HR-related projects, should be presented to the Committee at its next meeting in August 2008;
- (b) A risk register should be established for the PAS project and presented to the Committee at its next meeting in August 2008.
- (c) The ICSC Standards of Conduct promulgated by the ICSC in 2001, and referred to in several WIPO Office Instructions, should be given better visibility on the WIPO HRMD Intranet page.

C. NEW FINANCIAL REGULATIONS AND RULES (FRR)

30. A presentation on the implementation of the new FRR was made to the Committee by Mrs. Graffigna, Executive Director and Controller.

31. Observation:

The Committee noted with appreciation the progress made in the implementation of the New Financial Regulations and Rules and the clarity of the documents submitted.

32. Recommendation:

In accordance with Article B2(a) of the Audit Committee Terms of Reference, the Committee recommends that all Office Instructions and other documents prepared for the

implementation of the Financial Regulations and Rules should be copied to the Committee for information and review.

D. INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

33. Observations:

- (a) The Committee noted with regret that, six months later, the Committee's ICT related recommendations, made in the report of its seventh meeting (document WO/AC/7/2, paragraph 20) still remained unaddressed despite specific requests made by the Committee at its eighth meeting in February 2008 (document WO/AC/8/2 paragraphs 25, 26 and 27(a)).
- (b) The Committee took note of a report entitled "Core IT Assessment. Final Report. Version 1.1", dated May 2007, prepared by Sogeti, an external consultant, and decided to review this report at its next meeting.

34. Recommendations:

- (a) The Chief Information Officer should submit, through his line management, and after consultation with the IT Board, a status report regarding the implementation of the recommendations made at its seventh meeting (document WO/AC/7/2 paragraph 20) to the Committee at its next meeting in August 2008.
- (b) The responsible officers should submit a report on the actions undertaken following the submission, in May 2007, of the "Core IT Assessment. Final Report. Version 1.1" in time for its next meeting in August 2008.

AGENDA ITEM 3

THE NEW CONSTRUCTION PROJECT

35. The Committee was provided with the following documents by the WIPO Secretariat:

Progress Report

Progress Report on the New Construction Project, issued on May 8, 2008, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee.

Financial and Budgetary

Letter from Mrs. Graffigna, dated May 14, 2008, with attachments:

- Table I: Cash Flow Projection for the Life of the Construction Project (1998 to 2012);

- Table II: Status of Approval of Funding by WIPO Member States; and,
- Note entitled “Impact of IPSAS on Accounting for the New Construction Project.

Contract

English translation of the fixed-priced contractor contract between WIPO and IMPLENIA *Entreprise Générale*.

New Construction Charter

- Charter for New Construction Project, version 7, issued on May 5, 2008, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee; and,
- Charter for New Construction Project, showing changes between versions 6 and 7, issued on May 5, 2008, by Mr. Petit and Ms. Boutillon.

Risk Registers

- WIPO Risk Register update No. 7 (April 30, 2008);
- Pilot Risk Register, updated March 31, 2008;
- Addendum to the Pilot Risk Register, for the month of April 2008.

Pilot Monthly Reports

Pilot Monthly Reports for February and March 2008.

36. Further information and explanations were provided orally to the Committee by: Mr. Petit, Deputy Director General and Chair, Construction Committee; Ms. Boutillon, Secretary, Construction Committee; Mr. Jean-Daniel Fehr, Project Director General, Burckhardt+Partner SA (“the Pilot”); Mrs. Graffigna, Executive Director and Controller; and, Mr. Favatier, Director, Finance Department, Office of the Controller.

37. Observations:

- (a) The Committee was advised that construction work had commenced on April 7, 2008, and that, overall, the project had started to the general satisfaction of the Construction Committee, the Internal Project Monitoring Team and the Pilot.
- (b) With regard to funding the project, the Committee was advised that draw down of funds from the bank loan facility was not anticipated before the fourth quarter of 2008, and in the meantime, payments would be made from WIPO’s current cash resources.

- (c) In terms of funding status, the Committee was informed that an amount in the sum of 18.92 million Swiss francs remained outstanding in terms of approval by Member States. This amount did not include 7.88 million Swiss francs by way of reserve for unforeseen matters as recommended by the External Auditor (document A/43/INF/6, paragraph 44). At this stage, however, there was no indication that the reserve for unforeseen matters would need to be utilized. There was, however, still a question as to what extent project-related expenditures would be financed from WIPO's reserves or from the bank loan facility. As referred to previously in the report of the eighth meeting of the Committee (document WO/AC/8/2), the Secretariat confirmed that the utilization of reserves to finance part of the construction cost would need to be recommended by the Program and Budget Committee and subsequently approved by the Assemblies of the Member States of WIPO.
- (d) Other expenditures related to the Pilot, the WIPO Consultant and bank loan interest (these are financed from the regular budget), will also have to be approved for the 2010/11 biennium.
- (e) In reviewing the New Construction Project cash flow projections, the Committee noted that this was presented primarily to demonstrate anticipated draw down of funds from under the bank loan facility.

38. Recommendation:

The Committee recommends that the cash flow projection for the life of the New Construction Project be amended to identify funding being derived from (a) WIPO reserves; (b) WIPO regular budget; and, (c) bank loan facility.

AGENDA ITEM 4

OTHER MATTERS

A. INDUCTIONS

39. The Committee benefited from an induction on the work of the Technical Assistance and Capacity Building Sector. A powerpoint presentation was made by Mr. Narendra Sabharwal, Deputy Director General, followed by discussion.

40. Another briefing was given by Mr. Sherif Saadallah, Executive Director, Office of Strategic Use of Intellectual Property for Development, on the progress made on the WIPO Development Agenda.

B. STAFF-MANAGEMENT RELATIONS

41. The Committee met with the new President of the Staff Association Council, Mr. Denis Croze. He pointed to certain principles of special importance to the Staff Association, including consultation and dialogue with management, and the rule of law and

its application. He also referred to a number of priorities including: reclassification; a post and career development strategy; composition of the Selection Committees; and, the situation of prolonged duration of short-term contracts and consultants.

42. The Director of the Human Resources Management Division was present. He had already met with the new President of the Staff Association and assured the Committee of his continued cooperation with the Staff Association.

C. FINANCIAL STATEMENT FOR THE BIENNIUM DATED DECEMBER 31, 2007

43. A letter of transmittal to the Chair of the Committee from the Director General accompanying the financial statements for the biennium ended December 31, 2007, had apparently been prepared and was dated April 8, 2008. However, neither this letter nor the financial statements were received by the Committee until May 20, 2008, when it was already in session. Accordingly, the Committee has not dealt with this matter. In discussion, the Committee concluded that a more formal document transmittal system should be established for the Committee.

44. Recommendations:

- (a) A formal document transmittal system for the Committee should be established by the Secretariat for review by the Committee at its next meeting in August 2008.
- (b) The Financial Statement and Financial Management Report should be presented by the Secretariat to the Committee at its next meeting in August 2008.

D. NEXT MEETING

45. The next meeting of the Committee is tentatively scheduled for August 25 to 28, 2008.

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

1. Review of the work of the Internal Audit and Oversight Division
2. Financial Statement and Financial Management Report
3. Desk-to-Desk Review
4. Information and Communication Technologies (ICT)
5. New Construction Project
6. Other matters

[Annex I follows]

WIPO



WO/AC/9/1

ORIGINAL: English

DATE: May 19, 2008

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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WIPO AUDIT COMMITTEE

Ninth Meeting
Geneva, May 19 to 22, 2008

AGENDA

adopted by the WIPO Audit Committee

1. Review of the work of the Internal Audit and Oversight Division (including the Procurement Audit Report)
2. Desk-to-Desk Review
3. New Construction Project
4. Other matters

[Annex II follows]

ANNEX II

LIST OF ACRONYMS

ERP	Enterprise Resource Planning
FRR	Financial Regulations and Rules
HRMD	Human Resources Management Division
IAOD	Internal Audit and Oversight Division
ICSC	International Civil Service Commission
ICT	Information and Communication Technologies
OIP	Organizational Improvement Program
OIPC	Organizational Improvement Program Committee
PAS	Performance Appraisal System
PwC	PricewaterhouseCoopers

[End of Annex II and of document]

WIPO



WO/AC/8/2

ORIGINAL: English

DATE: February 29, 2008

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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE
Eighth Meeting
Geneva, February 18 to 21, 2008

REPORT

adopted by the WIPO Audit Committee

TABLE OF CONTENTS

	Paragraphs
Introduction	1 to 4
Agenda Items	
Item 1: Joint Meeting with the Chair of the WIPO General Assembly and the Chair of the WIPO Coordination Committee.....	5 to 7
Item 2: Meeting with the External Auditor	8
Item 3: Desk-to-Desk Review	9 to 27
A. Organizational Improvement Program (OIP).....	10 to 13
B. Performance Appraisal System (PAS)	14 to 16
C. Financial Regulations and Rules (FRR).....	17 to 19
D. Enterprise Resource Planning (ERP)	20 to 24
E. Information and Communication Technologies (ICT).....	25 to 27

Item 4:	New Construction Project	28 to 31
Item 5:	Other Matters	32 to 42
	A. Inductions	32 & 33
	B. Staff-Management Relations	34 to 38
	C. Internal Audit and Oversight.....	39 & 40
	D. Next Meeting.....	41 & 42
Annex I:	Agenda Adopted by the Committee	
Annex II:	Statement made by the Chair of the WIPO Audit Committee at the Information Meeting for Member States on the Organizational Improvement Program, February 15, 2008	
Annex III:	List of Acronyms	

INTRODUCTION

1. The eighth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from February 18 to 21, 2008. Present were Messrs. Khalil Issa Othman (Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Gian Piero Roz.
2. The Committee adopted the draft Agenda with modifications (Annex I).
3. The Committee was briefed by the Chair on his meeting with the WIPO Director General, as agreed by the Committee at its seventh meeting. The main purpose of the meeting was to convey to the Director General the position of the Committee that the WIPO leadership, and top management, should use the transitional period leading up to the election of a new Director General to develop an integrated program for organizational improvement, and a road map for implementation of that program showing organizational and resourcing requirements. He also drew the Director General’s attention to the Committee’s finding that it was “unsatisfactory that, *de facto*, IAOD was not functioning in accordance with its mandate and the needs of the Organization and will not be able to do so realistically for the foreseeable future” (document WO/AC/7/2).
4. The Chair also briefed the Committee on an Information Meeting for WIPO Member States on the Organizational Improvement Program, which took place on February 15, 2008, and which was also attended by Messrs. Pieter Zevenbergen (Vice Chair), George Haddad, Igor Shcherbak and Gian Piero Roz. At that Meeting, the Organizational Improvement Program Committee (OIPC) introduced the slide presentation for an Organizational Improvement Program (OIP) that it had previously presented to the Committee on December 4, 2007, as well as a response to the report of the seventh meeting of the Committee. The Chair of the Committee presented the views of the Committee. His statement is attached to this report (Annex II).

AGENDA ITEM 1

JOINT MEETING WITH THE CHAIR OF THE WIPO GENERAL ASSEMBLY
AND THE CHAIR OF THE WIPO COORDINATION COMMITTEE

5. The Chair of the Committee welcomed the Chair of the WIPO General Assembly, Ambassador Martin I. Uhomobhi, Permanent Representative, Permanent Mission of Nigeria in Geneva, and the Chair of the Coordination Committee, Dr. Hilde Janne Skorpen, Deputy Permanent Representative to the United Nations Office and the Conference on Disarmament, Permanent Mission of Norway in Geneva. The Chair of the Committee pointed to the importance of the interaction between their two offices and the Committee. He briefed them on the Committee’s involvement, since its inception, on the various items it has been seized with, especially the New Construction Project and the Desk-to-Desk Review, and drew their attention to the status of the Desk-to-Desk Review, as outlined in paragraphs 3 and 4, above. The Chair also reiterated the Committee’s mandate and role as an external independent review and advisory oversight body.

6. The Chair of the Coordination Committee briefed the meeting on the latest developments with regard to the selection of a new Director General, including the forthcoming WIPO Coordination Committee session on May 13 and 14, 2008, to nominate a candidate for that position, for appointment by the WIPO General Assembly in September 2008. She also spoke about possible selection criteria and methodologies. An exchange of views followed.

7. The Chair of the General Assembly briefed the Committee on certain issues considered at the last session of the WIPO General Assembly in September/October 2007, and on how all participants eventually contributed towards a more calm and peaceful atmosphere within the Organization. He informed the Committee that the forthcoming Assemblies of the Member States of WIPO on March 31, 2008, would deal with two items, namely: (i) Adoption of WIPO's Program and Budget for 2008/2009 and (ii) Any other matters. The Chair of the General Assembly emphasized the notion of continued confidence building and a healing process. He also emphasized the role of the WIPO Audit Committee as an external independent review and advisory oversight body, and the value of its work, including its findings and recommendations.

AGENDA ITEM 2

MEETING WITH THE EXTERNAL AUDITOR

8. The Committee met with the External Auditor, represented by Mr. Denys Neier, Federal Audit Office of the Swiss Confederation, who made a summary presentation of the topics that the External Auditor has been dealing with since 2006. The Committee noted that the emphasis of the External Auditor's work has been on compliance auditing whereas some of the problems facing WIPO over the last few years relate to issues of management performance and the lack of a proper internal audit function. The Committee expressed its desire to see the External Auditor engage itself more in addressing such issues.

AGENDA ITEM 3

DESK-TO-DESK REVIEW

9. Under this Agenda Item, the Committee reviewed the Organizational Improvement Program (OIP) in general, as well as related initiatives (PAS, FRR, ERP and ICT), some of which had already been commenced by the Secretariat prior to PricewaterhouseCoopers' (PwC) Final Report on the Desk-to-Desk Assessment of the Human and Financial Resources of WIPO.

A. ORGANIZATIONAL IMPROVEMENT PROGRAM (OIP)

10. The Committee was provided with the following documents by the WIPO Secretariat:

Secretariat's Response to the Audit Committee's Report on the Desk-to-Desk Review

- Letter from Mr. Petit, Deputy Director General, dated February 7, 2008, to the Chair of the WIPO Audit Committee; and,
- Document entitled: “The Secretariat’s Response to the Audit Committee’s Report on the Desk-to-Desk Review (WO/AC/7/2, paragraphs 21 to 31)”.

Information Meeting for WIPO Member States on the Organizational Improvement Program

- Letter from Mr. Petit, Deputy Director General, dated February 8, 2008, to the Chair of the WIPO Audit Committee; and,
- Document ORGIP/IM/GE/08/2: “Organizational Improvement Program”, dated February 5, 2008, presented at an Information Meeting for WIPO Member States on the Organizational Improvement Program, February 15, 2008.

11. Further information was provided orally to the Committee by Mr. Petit, Deputy Director General and Chair, OIPC, and OIPC members.

12. Observations:

- (a) With regard to the Information Meeting for WIPO Member States on the Organizational Improvement Program, on February 15, 2008:
 - (i) The Secretariat, in its information document ORGIP/IM/GE/08/2 and subsequently through OIPC in its meeting with the Committee, intimated that the scope of the OIP was broadly unchanged and, indeed, the PowerPoint presentation as given on February 15, 2008, was almost identical to that delivered to the Audit Committee at its seventh meeting on December 4, 2007;
 - (ii) As mentioned in paragraph 4 above, immediately following the presentation of the OIP by the Secretariat, the Chair of the Committee made a statement, which is attached to this report for information purposes (Annex II); and,
 - (iii) Member States attending the Information Meeting on February 15, and making statements, supported the recommendations that the Committee made in its report of its seventh meeting, and requested certain information.
- (b) In effect, the OIP mainly comprises certain initiatives that the Secretariat had already commenced prior to PwC’s Final Report on the Desk-to-Desk Assessment of the Human and Financial Resources of WIPO.
- (c) During its eighth meeting, the Committee was told repeatedly by senior members of the Secretariat that the scope of and the planning for an integrated program of organizational improvement was necessarily limited by two key constraints:

- (i) the absence of approval by Member States of the revised Program and Budget for 2006/07, and the new Program and Budget for 2008/09, respectively; and,
 - (ii) the transitional period running up to the appointment of a new Director General.
- (d) The Committee did not find these two factors entirely convincing for the following reasons:
- (i) the Committee understood that there had not been such a precipitate decline in WIPO's business that it was unable to operate on the basis of its original 2006/07 budget. Moreover, reform can go hand in hand even with a reduction in budget, as has been the case in some other UN organizations; and,
 - (ii) the Committee continued to believe that leadership and top management were in a position to use their experience, knowledge of the Organization, and their response to PwC's Final Report, as well as subsequent Committee recommendations and General Assembly decisions, to start developing an integrated program for organizational improvement, and a roadmap for implementation of that program showing organizational and resourcing requirements.
- (e) With regard to separate and single initiatives/modules:
- (i) Reference is made elsewhere in this report to individual modules (for example, ERP and ICT) of the current OIP and it is clear from discussing these with the responsible Secretariat officials that the issue of intertwining these modules still needs to be addressed.
 - (ii) As pointed out in the report of its sixth meeting (document WO/AC/6/2), the Committee does not believe that WIPO as an organization will be able to operate successfully in the future "either as a series of silos or without the proper balance of accountability and competency of management and staff, supported by an open, fair and communicative culture within the framework of sensible risk management and internal control." In the view of the Committee, it is the very absence of these features, as highlighted in PwC's Final Report, that is an impediment to planning for and implementing the required integrated program for organizational improvement.
- (f) The possibility of a further open-ended meeting of Member States was discussed with the Secretariat, who indicated that such meeting might be arranged for the second quarter of 2008.

13. Recommendations:

- (a) Minutes of the Information Meeting held on February 15, 2008, be prepared and circulated to Member States and the Committee;

- (b) A further open-ended meeting of Member States be convened within the second quarter of 2008 to consider a further progress report on the OIP in the context of the decision made by the General Assembly, as well as recommendations already made by the Committee, and the requests made by Members States at the Information Meeting on February 15, 2008; and,
- (c) The Secretariat provides a progress report to the Committee for its next meeting in May 2008.

B. PERFORMANCE APPRAISAL SYSTEM (PAS)

14. The Committee was provided with the following document by the WIPO Secretariat:

“Proposal for the Enhancement of the Current Paper-based Performance Appraisal System (PAS)”, dated February 2008.

15. A presentation was made to the Committee by Mr. Toledo, Director, Human Resources Management Division, on the PAS proposal, following which the Committee raised a number of points, including one that appears below in paragraph 24(d)(iv), below.

16. Recommendation:

The Secretariat should review best practice in the UN system regarding PAS related recourse procedures in order to establish a mechanism for a fair, fast and simple resolution of disagreements between staff and supervisors outside of the heavy, time consuming and costly system of Administration of Justice.

C. NEW FINANCIAL REGULATIONS AND RULES (FRR)

17. The Committee was provided with the following documents by the WIPO Secretariat:

Letter from Mrs. Graffigna, dated February 15, 2008, to the Chair of the WIPO Audit Committee, with attachments.

18. A presentation on the implementation of the new FRR was made to the Committee by Mrs. Graffigna, Executive Director and Controller, and Mrs. Bona, Head, Budget Section, Office of the Controller.

19. The Committee decided to follow up on that presentation at its next meeting.

D. ENTERPRISE RESOURCE PLANNING (ERP)

20. The Committee was provided with the following document by the WIPO Secretariat:

Document A/43/15: “Proposed Utilization of Available Reserves in the Medium Term”, presented to the Assemblies of the Member States of WIPO, held from September 24 to October 3, 2007. (Annex I of this document contains, *inter alia*, document

WO/PBC/12/4(c) “Implementation of an Enterprise Resource Planning (ERP) System”, presented to the twelfth session of the Program and Budget Committee, September 11 to 14, 2007).

21. Further information was provided orally to the Committee by Mrs. Graffigna, Controller and Executive Director, and Mrs. Bona, Head, Budget Section, Office of the Controller.

22. The Committee noted that:

- (a) PwC’s Final Report makes extensive reference to the need for the Organization to implement modern management systems;
- (b) The implementation of International Public System Accounting Standards (IPSAS) principles depends upon an upgrading of the ERP financial module already implemented by the Secretariat;
- (c) Certain projects included in the current OIP, and in particular the implementation of the FRR, the PAS and of a Human Resources strategy, depend upon the implementation of an ERP system; and,
- (d) ERP implementation and maintenance costs, and implementation risks, increase with customization of off-the-shelf packages.

23. Observations:

- (a) The implementation of an ERP system is a critical strategic business requirement for the Organization. However, the Secretariat seems to rely excessively on an ERP system for resolving management issues when, in fact, it is only a tool that cannot, by itself, resolve all managerial and business issues faced by WIPO;
- (b) While the project presented to Member States appears to be based on solid ground, the OIP draft plan shows a lack of integration between OIP initiatives and the ERP project;
- (c) Based on experience in both the private and public sectors, including UN system organizations, the risks associated with implementing an ERP system are extremely high. In particular, a move from the current manual and paper-based practices in WIPO to an ERP system implies drastic changes in staff and management work culture;
- (d) Management and ICT competency shortcomings at WIPO, as highlighted in PwC’s Final Report, add an additional element of risk to the project;
- (e) Cost estimates (document WO/PBC/12/4(c)) for certain project elements, namely data conversion, reporting, and training, appear to be underestimated, and projected costs for system operation and maintenance, post-project implementation, are missing; and,

- (f) The timetable of the project is at risk as a result of the delay in approval of the project, or parts thereof; a risk compounded by the fact that no decision will be taken before the September 2008 Assemblies of WIPO Member States.

24. Recommendations:

- (a) The Secretariat should take advantage of the powerful reporting facilities that an ERP system could provide to Member States for on-line accessibility to up-to-date management information;
- (b) To ensure successful implementation of IPSAS as of January 1, 2010, priority be given by the Secretariat, in close consultation with other UN agencies using the same system, to upgrading, in 2009, ERP accounting software modules already in use, and proper financing be ensured by Member States for this part of the ERP project;
- (c) To improve project cost estimations, the Secretariat should include in the project proposal contained in document WO/PBC/12/4(c):
 - (i) initial estimates of legacy systems data preparation and clean up costs, and new data collection, based if necessary on the experience of other UN organizations with the same ERP system; and,
 - (ii) projected ongoing costs for ERP management and operations (hosting, staffing, maintenance, upgrades, training, reporting. etc) post-system implementation, taking into account any savings that may arise from discontinued use of current legacy systems, as well as the costs associated with hiring staff with new skills.
- (d) To ensure a cost-effective implementation of an ERP system, if approved by Member States:
 - (i) The authority and accountability for timely decision-making on issues that are bound to arise during system implementation should be entrusted with the Chair of the Project Board (document WO/PBC/12/4(c), paragraph 42);
 - (ii) Establishment of coordination mechanisms, by OIPC, to ensure close coordination between those involved in the various OIP projects (both current and future) and those implementing the ERP system, with a view to avoiding, in particular, potential costly system customization adjustments (see document WO/PBC/12/4(c) paragraph 36, third bullet);
 - (iii) Alignment, to the extent possible, by management, of the Organization's interpretation and application of UN common system staff and financial rules with those most commonly applied in the UN system and possibly already incorporated in the current version of the software; and,

- (iv) Confirmation that the proposed PAS system can be supported by the ERP without costly customization.
- (e) Implementation of the recommendations contained in the report of the seventh meeting of the Committee (document WO/AC/7/2) concerning ICT training for staff and verification of ICT-related competencies in staff recruitment and promotion, bearing in mind the ICT competencies needed in modern management systems and a change in work culture following implementation of an ERP system.

E. INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

25. The Committee was briefed orally, by: Mr. Gurry, Deputy Director General and Chair, IT Board; Mr. Yo Takagi, Executive Director, Office of Strategic Policy and Planning Department, and the WIPO Worldwide Academy, and IT Board Member; and, Mr. Neil Wilson, Director and Chief Information Officer, Information Technology Division, and IT Board Member.

26. The Committee noted that:

- (a) The Chief Information Officer was unaware of the recommendations made by the Committee at its seventh meeting on the IT Audit Report (document WO/AC/7/2), and consequently had not considered them as yet;
- (b) Although the IT strategy is part of the OIP, as presented to Member States, the IT Board does not expect to prepare such a strategy until an adequate business strategy is adopted for the Secretariat;
- (c) The IT Board had decided to concentrate on areas considered to be immediate business imperatives, and to prepare ground for future decision-making by the new management, such as 24/7 service availability; robust policy on business continuity; better disaster recovery; and, greater IT security; and,
- (d) ICT is simply a tool to implement the business plan of the Organization and depends upon the definition of such a plan.

27. Recommendations:

- (a) The Secretariat should consider the recommendations on ICT contained in the report of the seventh meeting of the Committee, and present an update to the Committee in time for its meeting in May 2008; and,
- (b) Pending the development of a comprehensive ICT strategy to support the business plan of the Organization, OIPC should develop an ICT plan to support and ensure integration of the various OIP projects.

AGENDA ITEM 4

THE NEW CONSTRUCTION PROJECT

28. The Committee was provided with the following documents by the WIPO Secretariat:

Revised Budget for the New Construction Project

- Letter from Mrs. Graffigna, dated February 8, 2008, to the Chair of the Audit Committee, with the following Annexes:

- Table 1: Revised Budget Estimate in Comparison to 2005 Budget Estimate and 2007 Audit by External Auditor;
- Table 2: Difference between Revised Budget Estimate and 2005 Budget Estimate;
- Table 3: Status of Disbursements;
- Table 4: Funding of Amount to be Disbursed as of January 1, 2008;
- Table 5: Difference between Revised Budget Estimate and 2007 Audit by the External Auditor.

Progress Report

Progress Report on the New Construction Project, dated February 12, 2008, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee.

Risk Registers

- WIPO Risk Register version 5, dated January 31, 2008, by Mr. Petit and Ms. Boutillon; and,
- Pilot Risk Registers, December 2007 (updated January 8, 2008) and January 2008 (updated February 5, 2008), prepared by Burckhardt+Partner SA (“the Pilot”).

Contract with the General Contractor

Copy of the contract between WIPO and the General Contractor, as signed on February 8, 2008.

Internal Audit of WIPO Risk Registers

- “Audit Approach for the New Construction Project”, prepared by the Internal Audit and Oversight Division, presented to the Audit Committee at its fifth meeting, July 9 to 12, 2007: and,
- IAOD/IA/02/2007: “Final Audit Report. Review of the WIPO Risk Registers of the New Construction Project”, dated December 17, 2007, prepared by the Internal Audit and Oversight Division.

Pilot Monthly Reports

Pilot Monthly Reports for December 2007 and January 2008.

29. Further information and explanations were provided orally to the Committee by: Mr. Petit, Deputy Director General and Chair, Construction Committee; Ms. Boutillon, Secretary, Construction Committee; Mrs. Graffigna, Executive Director and Controller; Mrs. Bona, Head, Budget Section, Office of the Controller; Mr. Favatier, Director, Finance Department, Office of the Controller; Mr. Sevilla, Director, Procurement and Contracts Division, General Affairs and Administration Sector; Mr. Escudero, Head, Contracts and General Legal Section, Office of the Legal Counsel; and, Mr. Efendioglu, Senior Internal Auditor, Internal Audit and Oversight Division.

30. Observations:

- (a) With regard to financing the New Construction Project, the Committee was informed that currently interest at the rate of 3.5% was being earned on the main bulk of WIPO's reserves (deposits at the Swiss Federal Bank) and interest at the estimated rate 4.5% would be payable on any amount drawn down under the construction loan bank facility during the construction phase. Accordingly, at this point in time, there would be a significant financial benefit in financing the New Construction Project as far as possible from reserves rather than using the loan facility (taking into account the need to retain a level of reserves for financial prudence and other potential demands for utilization of reserves). The Secretariat pointed out that the subject of utilization of reserves would be discussed with Member States at the next session of the Program and Budget Committee, which the Committee was informed is anticipated to take place in the first half of September 2008.
- (b) In respect of the costs of security for the new building, the External Auditor had estimated that a sum of CHF8 million would need to be provided for, based on extrapolating estimates used by the World Trade Organization (WTO) for its buildings (which also have a main road frontage). This estimate included some provision for perimeter security. In the cost of the contract with IMPLENIA, the General Contractor, the cost of reinforced windows and facades had been taken into account in the amount of approximately CHF2.5 million, but not other measures recommended by the UN Headquarters-Minimum Operating Security Standards (H-MOSS). This means that the revised budget estimate, as provided by the Secretariat, of CHF153.6 million for the General Contractor, Honoraria and Related Costs to Security, could be increased further in the amount of approximately CHF5.5 million to account for the new building's share of perimeter security cost for the whole WIPO site. However, the Committee was informed that discussions are in progress with the Swiss Federal Authorities with regard to perimeter security and further, Member States' approval for the security upgrading project as a whole is required. Accordingly, it was not possible at this time for the Secretariat to provide further budgetary precision.
- (c) Of the aggregate cost, indicated by the Secretariat, of CHF178 million for the New Construction Project, including, *inter alia*, the purchase of land and loan interest during the construction phase, there remains to be financed either by the construction loan, or from reserves, approximately CHF142 million of which approximately CHF116 million would be due to the General Contractor. This amount to be financed could be increased to over CHF155 million to take into account perimeter security and contingencies.

- (d) What was not clear to the Committee, however, was when disbursements would be made (allowing for certification by the Pilot), how disbursements would be accounted for, and how much of the expenditure to be financed through the bank loan or reserves would still need to be authorized by Member States. The Committee noted that the format of this reporting was likely to be modified after the introduction of IPSAS in January 2010, due to the changes in accounting that will be introduced at that time.
- (e) The Committee was advised that because the contract with the General Contractor had not been signed until February 8, 2008 (as opposed to the original intention of signature in mid-December 2007), the General Contractor, requiring time for preparation, would not actually commence construction operations until April 7, 2008, and was expected to conclude these operations by October 8, 2010.
- (f) It was noted by the Committee that the risk registers prepared by the Pilot and the WIPO Construction Committee would take into account the contracts signed by WIPO with the bank and the General Contractor in the next updating of the registers, and would be circulated to the Committee accordingly.
- (g) The Committee was informed that the Pilot and the Internal Project Monitoring Team were currently in discussions with regard to establishing a cost control system, and information on this would also be provided to the Committee for its next meeting.
- (h) The Committee noted the content of the internal audit report on the risk registers and made a number of observations. This report, along with other internal audit matters, will be dealt with further during the Committee's meeting in May 2008 (see also paragraph 38).

31. Recommendations:

- (a) Cash flow projections for the life of the New Construction Project are prepared indicating: the disbursement profile on a quarterly basis; the finance source; and, providing bases and assumptions for the projections;
- (b) Project accounts are established to show the budgeted expenditure profile on a quarterly basis to be compared with actual costs, with variance analysis, again providing bases and assumptions underlying the projected budget costs;
- (c) Indication is provided in a consolidated manner under all sources of funding of how the New Construction Project has been and will be accounted for in biennial accounts, with an explanation where appropriate of the IPSAS impact; and,
- (d) The Secretariat provides an analysis, under all sources of funding, of what expenditures had been approved by Member States, and those expenditures that still needed to be approved.

AGENDA ITEM 5

OTHER MATTERS

A. INDUCTIONS

32. The Committee benefited from an induction on the Patent Cooperation Treaty presented by Mr. Francis Gurry, Deputy Director General. This induction was part of a series of knowledge sharing sessions designed to apprise Committee members of Secretariat activities.

33. The Committee would like to benefit from an induction on the work of the Technical Assistance and Capacity Building Sector, and on the WIPO Development Agenda, possibly at its next meeting.

B. STAFF-MANAGEMENT RELATIONS

34. As decided at its seventh meeting (document WO/AC/7/2), the Committee met with Staff representatives and management.

35. The Committee was informed by the President of the Staff Association Council that:

- (a) The membership of the Staff Association has grown considerably over the last few months reaching about 700 members;
- (b) The staff were concerned by what was considered a lack of transparency in the promotion and appointment process of new staff—areas in which consultation with management proceeded slowly—and that the current system of creating *ad hoc* appointment boards had perpetuated the direct recruitment practices of the past in certain cases;
- (c) A recent judgment by the ILO Administrative Tribunal seemed to confirm the validity of the staff concerns;
- (d) Staff representatives had been involved from an early stage in the project for the creation of a new Performance Appraisal System; and,
- (e) The Director of the Human Resources Management Division had established good relations and consultation with the Staff representatives.

36. The Director of the Human Resources Management Division informed the Committee that:

- (a) Many actions had been taken in the past two years to improve staff-management relations, including:
 - (i) issuance of a circular on appointments and promotions, including short-term employees;

- (ii) access by staff representatives to the electronic version of the staffing table of the organization;
 - (iii) classification of posts conducted by an expert external to the Organization;
 - (iv) creation of three appointment and promotion bodies; and,
 - (v) establishment of a more effective system of internal justice.
- (b) In the 2006/07 biennium, 141 staff had been promoted, which represents more than 15% of the staff. The promotion in the Professional and General Service categories were made on the basis of the recommendations of the Promotion Advisory Boards;
- (c) The backlog in reclassifications was due to an unprecedented huge inflow of recommendations and that more than about 100 such recommendations still had to be considered by the External Classifier or by the Classification Committee, or by both;
- (d) In 2006-2007, about 120 posts had been advertised. During the same period, 107 appointments were made, of which about 80% were to internal candidates. About 60% of these appointments were for various categories of temporary employees; and,
- (e) The long-standing issue of temporary staff performing core functions could only be addressed incrementally, also through budgetary measures (creation of posts).

37. The Committee noted that:

- (a) Lack of confidence in administrative procedures continues to be high due to a perceived lack of transparency of the procedures. This was particularly apparent in the area of promotion and appointment;
- (b) The statutory consultation process foreseen in the Staff Regulations and Rules, namely the Joint Advisory Committee (JAC), did not seem to operate according to best practice in the UN system. The JAC had met only occasionally and the staff representatives had not requested it to meet more frequently; and,
- (c) The ad-hoc composition of the appointment and promotion bodies was not in line with UN system best practice and contributed to the lack of confidence in the appointment and promotion system.

38. Recommendation:

The Organization should urgently align itself with best practices in the UN system, in particular the UN Secretariat, in the areas of statutory staff management consultations and transparent appointment and promotion procedures, at all levels, including the D1 and D2 levels, adopting *mutatis mutandis* existing Office Instructions.

C. INTERNAL AUDIT AND OVERSIGHT

- (a) Internal Memorandum dated January 24, 2008, from the Director of the Internal Audit and Oversight Division to the Chair of the WIPO Audit Committee

39. The Committee was apprised of the contents of an Internal Memorandum, dated January 24, 2008, from the Director of the Internal Audit and Oversight Division to the Chair of the Committee, commenting on text related to Internal Audit and Oversight in the report of the seventh meeting of the Committee (document WO/AC/7/2). Due to the absence of the Director of IAOD, the Committee deferred its discussion on the contents of his Memorandum, and decided to review the work of the Internal Audit and Oversight Division at its next meeting in May 2008.

- (b) Final Audit Report: Review of the Procurement System and Procedures, dated December 19, 2007, prepared by the Internal Audit and Oversight Division

40. The Committee decided to review this Report at its next meeting.

D. NEXT MEETING

41. The next meeting of the Committee is tentatively scheduled for May 19 to 22, 2008.

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

1. Review of the work of the Internal Audit and Oversight Division (including the Procurement Audit Report)
2. Desk-to-Desk Review
3. New Construction Project
4. Other matters

[Annex I follows]

WIPO



WO/AC/8/1

ORIGINAL: English

DATE: February 18, 2008

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

E

WIPO AUDIT COMMITTEE

Eighth Meeting
Geneva, February 18 to 21, 2008

AGENDA

adopted by the WIPO Audit Committee

1. Joint meeting with the Chair of the WIPO General Assembly and the Chair of the WIPO Coordination Committee
2. Meeting with the External Auditor
3. Desk-to-Desk Review
4. New Construction Project
5. Other matters

[Annex II follows]

ANNEX II

INFORMATION MEETING TO MEMBER STATES ON
THE ORGANIZATIONAL IMPROVEMENT PROGRAM
FEBRUARY 15, 2008

STATEMENT MADE BY THE
CHAIR OF THE WIPO AUDIT COMMITTEE

I should like to thank the Secretariat for this important Information Meeting, and for inviting the Audit Committee to attend.

Our purpose here is not to enter into further discussion with the WIPO Secretariat at this Information Meeting. We will do that next week. It is mainly to give additional background information on the Audit Committee's involvement in the Desk-to-Desk Review, and to present some general remarks.

On background, I start by saying that the same slide presentation was presented to the Audit Committee back on December 4, 2007. The second point is about our reports and the legislative bodies that take action on them.

References are made in documents before the meeting to our previous reports, mainly the sixth report, presented to the General Assembly, and the seventh report, which has not yet been formally presented to the Program and Budget Committee.

I must stress that our reports are formally presented to the Program and Budget Committee and/or the General Assembly, who take action on them, as in the case of our sixth report, when the General Assembly adopted the Committee's recommendations on the Desk-to-Desk review, which called upon the Secretariat to:

- (i) develop a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC's Final Report, and as recognized by the Secretariat in its report. That was to be done on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent); and,
- (ii) prepare a road map for the implementation of the program showing the organizational and resourcing requirements.

However, our last report and its findings and recommendations on the Desk-to-Desk review, which is the subject of Annex V "The Secretariat's Response to the Audit Committee's last Report on the Desk-To-Desk Review (WO/AC/7/2 paragraphs 21 to 31)" of document ORGIP/IM/GE/08/2, has not been submitted to Member States for their action. It will be submitted, together with the report of our eighth meeting to the forthcoming meeting of the Program and Budget Committee for its action.

As to the Committee's last meeting, I would like to recall that, in its letter of November 28, 2007, the Secretariat proposed that it present to the Committee a "draft Program" as a slide presentation and that the Organizational Improvement Program Committee (OIPC) would

further develop the Program taking into account the Committee's observations and recommendations.

Our observations and recommendations on the Secretariat's presentation and the discussions that followed are reflected in the report of our seventh meeting (WO/AC/7/2 of December 18, 2007), which was then circulated by the Secretariat to all Member States. I urge distinguished representatives to examine that report again.

More recently, we received two communications from the Secretariat, the first dated February 7, 2008, attaching "The Secretariat's Response to the Audit Committee's Report on the Desk-To-Desk Review (WO/AC/7/2 paragraphs 21 to 31)" and the second, dated February 8, 2008, transmitting the Organizational Improvement Program, with an Explanatory note and Annexes (the document which has just been introduced by the Secretariat).

Those documents were distributed to members of the Audit Committee. We were able individually to read those documents and formulate certain observations and comments. But the Committee as a whole will not meet in formal session until next week, from 18th to 21st February, when it will again listen to and interact with WIPO officials and formally pronounce itself on the matter and submit our additional findings and recommendations.

Although we, as a Committee, have not had the benefit of a collective position, which has always been taken through consensus, I might venture and submit the following general remarks:

- (1) We, as a review and external oversight body, and within our mandate, have been associated with the Desk-to-Desk review since the Committee's inception. The Committee has advanced its views, and submitted its recommendations to Member States and the Secretariat through its periodic reports. Our involvement is continuous.
- (2) The thrust of our orientation has been to place the question of the Desk-to-Desk review within the context of reform and management change, a trend which has been prevalent within the UN system organizations for some time.
- (3) As far as WIPO is concerned, we have taken the position, which was subsequently confirmed by Member States and the Secretariat, that the broad thrust of the external consultant, PwC's Final Report, particularly in terms of its recommended actions did provide a platform for introducing an integrated program for organizational improvement. This was in line with the welcome given to the report by the Secretariat.
- (4) That was the framework within which we reached our conclusions and recommendations on the draft Program and slide presentation by the Secretariat during our seventh meeting.
- (5) We should recall that a number of initiatives undertaken by the Secretariat were already underway even prior to PwC's Final Report. We think there was an agreement that those initiatives and others will not by themselves constitute a comprehensive integrated program for organizational change.

- (6) Hence the emphasis on three major components of reform and change, namely:
- Leadership and Management;
 - Human Resources; and,
 - Organizational Processes and Systems.
- (7) The draft Program presented to us by the Secretariat back on 4th December 2007, did not meet, as described in our report, the requirements that would qualify it as an integrated program for organizational change on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent), nor did it present a road map for implementation of the program showing the organizational and resourcing requirements.
- (8) We are aware of the constraints faced by the Secretariat, including the transitional period running up to the appointment of a new Director General; the delays in approving the Program and Budget, and the time constraints. We discussed this at length with the Organizational Improvement Program Committee during our last meeting. The option of “business as usual” was not entertained. Limiting oneself to initiatives underway was not sufficient. As stated in our previous report, those initiatives have substantial challenges and risks, which will need careful management. A further level of complexity is imposed by the need to integrate each of these modules with each other. Therefore, we believe that the Secretariat and especially top management, through its experience and tapping of resources from within and possibly outside could make more progress on establishing and implementing an integrated program for organizational improvement.

Finally, we will be meeting next week on Monday, and will carry on with our task of reviewing the progress made in implementing the Desk-to-Desk review recommendations and the General Assembly decision, and future actions needed. We will formally report to the Program and Budget Committee. This will cover both our seventh and eighth meetings.

[Annex III follows]

ANNEX III

LIST OF ACRONYMS

ERP	Enterprise Resource Planning
FRR	Financial Regulations and Rules
HRMD	Human Resources Management Division
IAOD	Internal Audit and Oversight Division
ICT	Information and Communication Technologies
IPSAS	International Public System Accounting Standards
OIP	Organizational Improvement Program
OIPC	Organizational Improvement Program Committee
PAS	Performance Appraisal System
PwC	PricewaterhouseCoopers

[End of Annex III and of document]

WIPO



WO/AC/7/2

ORIGINAL: English

DATE: December 18, 2007

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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Seventh Meeting Geneva, December 3 to 6, 2007

REPORT

1. The seventh meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from December 3 to 6, 2007. Present were Messrs. Khalil Issa Othman (Chair), Pieter Zevenbergen (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Gian Piero Roz.
2. The Committee adopted the draft Agenda (Annex I).
3. The Committee was briefed by the Chair on: the Working Group of the Program and Budget Committee, held on September 10, 2007, regarding the Review of the Terms of Reference of the Audit Committee and the Revised WIPO Internal Audit Charter; the Twelfth Session of the Program and Budget Committee, held from September 11 to 14, 2007; and, the Forty-Third Series of Meetings of the Assemblies of the Member States of WIPO, held from September 24 to October 3, 2007. With respect to the latter, this included participation by the Chair of the Committee in the deliberations of the Chair of the General Assembly and the Friends of the Chair on Agenda Item 12: Internal Audit Report WIPO Issued since the Last General Assembly [to be referred to the Friends of the Chair].
4. The Chair of the Committee reported that he had contacted the Chair of the General Assembly with the idea that the Committee should meet with him during the seventh meeting of the Committee but, unfortunately, the Chair of the General Assembly was absent from Geneva during that week.

5. The Committee was briefed by the Chairperson of the Coordination Committee, Dr. Hilde Janne Skorpen, Deputy Permanent Representative to the United Nations Office and the Conference on Disarmament, Permanent Mission of Norway in Geneva, on recent developments especially with regard to decision of the Director General to advance the process for nominating and appointing a Director General, and the outcome of the meetings held by the President of the General Assembly, the Chairperson of the Coordination Committee, and Regional Group Coordinators. The Committee assured Dr. Skorpen of its commitment to contribute, within the framework of its mandate, to a smooth transitional period.

6. The Committee wishes to meet with the President of the General Assembly, the Chairperson of the Coordination Committee and the Regional Group Coordinators at its next meeting in February 2008.

AGENDA ITEM 1: Internal Audit and Oversight

7. The Committee was provided with the following documents by the WIPO Secretariat:

Internal Audit and Oversight

- Memorandum from Mr. Nick Treen, Director, Internal Audit and Oversight Division, to the Chair of the Committee, dated November 21, 2007;
- Copy of letter from Mr. Treen to Mr. Neier, External Auditor, dated November 22, 2007; and,
- Internal audit planning package for WIPO Internal Audit.

Oversight Recommendations with Outstanding Implementation Status

- Memorandum from Mr. Treen to the Chair of the Committee, dated November 30, 2007; and,
- List of Open Oversight Recommendations with Outstanding Implementation Status, dated November 30, 2007.

8. Further information and explanations were provided orally by Mr. Treen, Director, Internal Audit and Oversight Division (IAOD), and by Mrs. Carlotta Graffigna, Controller and Executive Director, on budgetary and outsourcing implications.

9. Observations:

Internal Audit and Oversight

- (a) The Committee was seriously concerned that, even with the completion of the recruitment process for an investigator, the understaffing of IAOD remains critical, with direct implications on Divisional activities;
- (b) The Committee noted that funds available in respect of vacant posts did not seem to have been satisfactorily used for outsourcing IAOD activities;

- (c) The Committee noted that the plan provided by the Director of IAOD made no reference to evaluation, investigation and inspection activities, or to management auditing and the promotion of good governance. Budgetary information, as well as information on the development of Divisional Manuals, was also missing. It was mainly an audit plan;
- (d) The Committee finds it wholly unsatisfactory that, *de facto*, IAOD is not functioning in accordance with its mandate, and the needs of the Organization, and will be unable to do so realistically for the foreseeable future; and,
- (e) The Director of IAOD agreed with the Committee on the need to consider a further refinement of the Internal Audit Charter to clarify the procedures to be followed in the case of audits which may involve the Director General and, possibly, other high-ranking officials.

Oversight Recommendations with Outstanding Implementation Status

- (a) The Committee noted the additional refinements to the follow-up system on the implementation of Oversight Recommendations, as recommended by the Committee at its sixth meeting (September 2007). It continued to be concerned about the adequacy of assurances given and problem flagging; and,
- (b) The Director of IAOD assured the Committee that his Division will continue to be responsible for this follow-up system. He informed the Committee that Managers are increasingly cooperative in the process and are aware of the need to implement oversight recommendations.

10. The Committee recommends that:

- (a) The Secretariat embarks on a more vigorous recruitment process for vacant posts and that, in the interim, the Director of IAOD, with backing from the Controller, enhances and intensifies outsourcing of IAOD activities and recruitment of temporary staff;
- (b) The Director of IAOD gives greater priority to the completion of Divisional Manuals using, as far as possible, existing material developed by other UN system organizations;
- (c) The Director of IAOD submits a revised Divisional Program Plan to the Committee for its next meeting in February 2008;
- (d) The Director of IAOD prepares new draft provisions to be included in the Audit Charter to address special cases which may involve the Director General and other high-ranking officials; and,
- (e) The Director of IAOD, in partnership with the responsible managers, gives assurances on the effective implementation of oversight recommendations.

AGENDA ITEM 2: The New Construction Project

11. The Committee was provided with the following documents by the WIPO Secretariat:

Progress Reports

- WO/PBC/12/7 – Progress Report on the New Construction Project, dated August 17, 2007, presented at the Twelfth Session of the Program and Budget Committee, September 11 to 13, 2007;
- WO/GA/34/11 – Progress Report on the New Construction Project, dated September 17, 2007, presented at the Thirty-fourth (18th Ordinary) Session of the WIPO General Assembly, September 24 to October 11, 2007;
- Progress Report on the New Construction Project, dated November 27, 2007, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee; and,
- Addendum to the Progress Report on the New Construction Project (November 27, 2007), dated December 5, 2007, by Mr. Petit, Chair, and Ms. Boutillon.

New Construction Charter

- Charter for New Construction Project, version 6, dated November 20, 2007, by Mr. Petit and Ms. Boutillon; and,
- Charter for New Construction Project, showing differences between versions 5 and 6, dated November 20, 2007, by Mr. Petit and Ms. Boutillon.

Risk Registers

- WIPO Risk Register version 4, dated November 30, 2007, by Mr. Petit and Ms. Boutillon; and,
- Pilot Risk Register, dated December 3, 2007, prepared by Burckhardt+Partner SA (“the Pilot”).

Pilot Monthly Reports

Pilot Monthly Reports from June to November 2007.

Auditing of the New Construction Project

A/43/INF/6: “Interim Audit by the External Auditor of the New Administrative Building and Additional Storage Construction Project - Follow Up to the 2006 Audit”, dated September 21, 2007, presented at the Forty-third Assemblies of the Member States of WIPO, September 24 to October 3, 2007.

12. Further information and explanations were provided orally to the Committee by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee, as well as Mr. Jean-Daniel Fehr, Project Director General and Mr. Jean-Noël Alaterre, Project Associate Director, Burckhardt+Partner SA (“the Pilot”). The Committee was briefed on progress, which indicated that the New Construction Project was currently running broadly in accordance with the expected timetable.

13. With reference to statements contained in paragraphs 9 and 20 of the Interim Report by the External Auditor (document A/43/INF/6), the Committee reiterates that it does not “supervise the Project”. The Committee has not, is not, and does not plan to be involved in any implementation or execution tasks, which are the responsibility and prerogative of the Secretariat. The Committee has no financial authority over the Project, and cannot therefore interfere in the financial management of the Project itself. The Member States mandated the Committee to oversee, through its quarterly meetings, the progress of the Project and to advise them, through the Program and Budget Committee.

14. The Committee noted that:

- (a) The Construction Committee, in its Addendum to the Progress Report, had provided an analyzed consolidated budget for the New Construction Project, the total of which amounted to approximately CHF164 million, excluding a proposal for a reserve for unforeseen expenditures for an amount of CHF7,886,260, making a potential aggregate total of CHF172 million;
- (b) The External Auditor, in their follow-up to their 2006 Audit of the New Construction Project (document A/43/INF/6), had estimated construction costs at CHF179 million, including the reserve referred to in (a) above; and,
- (c) The financial envelope for the New Construction Project, as approved Member States in October 2005, amounted to CHF125 million, excluding land purchase costs of CHF13.5 million and architectural competition costs of CHF1.7 million, which had previously been paid for, and that CHF114 million of funding was to be provided through a bank loan.

15. For clarification purposes, the Committee recommends that:

- (a) The Secretariat prepares a final revision to the budget estimate as soon as the fixed-price contract for the project is agreed with the selected main contractor, together with the cost of financing the loan from the selected bank. Distinction should be made between costs already incurred and paid for, and those to be financed;
- (b) A reconciliation is prepared explaining the differences between the Construction Committee’s final revised budget estimate and that of the External Auditor; and,
- (c) Statements are prepared by the Secretariat on:
 - (i) how the project costs not covered by the bank loan will be financed;
 - (ii) what expenditures need to be approved by Member States, giving an analysis of which budgetary periods and programs have been, or will be, affected; and,
 - (iii) how the historic and projected costs have been and will be accounted for.

AGENDA ITEM 3: IT Audit

16. The Committee was provided with the following document by the WIPO Secretariat:

A/43/INF/5: "Audit of Information Technologies", dated September 17, 2007, presented to the Forty-third Assemblies of the Member States of WIPO, September 24 to October 3, 2007.

17. Further information was provided orally to the Committee by Mr. Neil Wilson, Director and Chief Information Officer, IT Division.

18. The Committee noted that:

- (a) Both the Audit of Information Technologies and PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment refer extensively to an Enterprise Resource Planning (ERP) system, a proposal for which was submitted to WIPO Member States, for consideration, within the framework of possible use of WIPO reserves (document WO/PBC/12/4(c)). In view of the impact of an ERP system on the integrated program for Organizational Improvement; internal controls for appropriate usage of resources; and, reporting on management, auditing and other information to Member States, the Committee decided that it will review the ERP documentation prepared by the Secretariat at its next meeting;
- (b) Proposals for the upgrading of the Madrid and Hague IT systems had also been submitted to Member States, for consideration, within the framework of the possible usage of reserves, and that the Madrid Union Assembly had approved such a project;
- (c) The Audit of Information Technologies report did not aim at a full review of information and communication technologies (ICT) in terms of applications, technology and information security. However, in view of the linkages and interdependencies of ICT applications, the report also addressed the ERP project and other issues; and,
- (d) As pointed out in PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment, the success of an organizational improvement program will also depend heavily on efficient and up-to-date ICT infrastructure.

19. The Committee observed that:

- (a) Due to the nature of its work, WIPO depends upon ICT for its core substantive work more than many other UN organizations, where ICT applications support mainly office automation, documents management and administrative applications;
- (b) Modern ICT systems need to be supported by adequate, reliable and efficient infrastructure, and qualified staff;
- (c) The recently created IT Board includes managers from the substantive departments and that this alleviates to some extent the difficulties created by the dual function entrusted to Mr. Wilson;

- (d) The distribution of ICT responsibilities among various departments makes it difficult to have a global consolidated view of the human and financial resources devoted to ICT in the Organization;
- (e) The comments made by respective WIPO managers to the recommendations made by the external auditors, included in the Oversight Recommendations with Outstanding Implementation Status report prepared by IAOD, contained no budgetary estimates of the costs involved in implementing such recommendations;
- (f) Due to the budgetary restrictions of the recent past, the Organization's ICT infrastructure has not kept pace with technological advances. Investment would again be possible on approval of the proposed 2008/09 Program and Budget. According to Mr. Wilson, however, this would not enable the Organization to invest in new technologies to the extent required; and,
- (g) The implementation of new technologies was also made difficult by the fact that, as clearly stated in PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment, in-house skills available both in the technical areas, and on the part of the users, were not up-to-date. In particular, there are serious concerns about the capability of Human Resources Management Division staff, used to processes geared towards manual transactions, to support an ERP system.

20. The Committee recommends that:

- (a) ICT training for all staff, in particular managers, be included in the integrated plan for Organizational Improvement;
- (b) Specialized training be planned and implemented for technical staff to bring their skills up-to-date with the requirements of new technologies. Such training may require the replacement of technical staff during training to avoid understaffing of essential functions;
- (c) ICT competencies be part of the mandatory requirements for most, if not all, recruitments and promotions;
- (d) Careful attention be given to infrastructure upgrading and related financing that may be required to keep pace with new technological developments and the implementation of an ERP system;
- (e) The Secretariat prepares a consolidated annotated table of all ICT-related expenditures in the proposed 2008/09 Program and Budget, with a view to identifying possible economies of scale to redeploy resources for improving infrastructure and services;
- (f) The Secretariat presents the ERP proposal, and its positioning within the integrated program for Organizational Improvement, to the Committee at its next meeting in February 2008; and,
- (g) The Secretariat presents the IT Strategy to the Committee.

AGENDA ITEM 4: Desk-to-Desk Review

21. The Committee was provided with the following documents by the WIPO Secretariat:

Program for Organizational Improvement

- Covering Letter from Mr. Petit, Chair, Organizational Improvement Program Committee (OIPC), to the Chair of the Audit Committee, dated November 28, 2007;
- Memorandum from the Director General to Program Managers concerning the Composition and Terms of Reference of OIPC; and,
- Draft Program for Organizational Improvement (powerpoint presentation).

Implementation of Financial Regulations and Rules

- Covering Letter from Mrs. Graffigna, Executive Director and Controller, to the Chair of the Audit Committee, dated November 26, 2007;
- Memorandum from Mrs. Graffigna to the Director General, dated November 5, 2007, and its annexes;
- Updated Matrix indicating main tasks, officer(s) in charge and deadlines for implementation of the new Financial Regulations and Rules;
- Training Plan and 2008 Training Timetable;
- Terms of Reference of the Working Group for Financial Regulations and Rules Implementation; and,
- Agenda and Summary of the First meeting of the Working Group on the Implementation of the Financial Regulations and Rules, held on November 22, 2007.

22. A presentation was made to the Committee by Mr. Petit, Chair, Organizational Improvement Program Committee (OIPC), and other members of OIPC, of a draft Program for Organizational Improvement.

23. The Committee was informed that:

- (a) OIPC had only been established on November 13, 2007, allowing little time for preparation of a Program plan;
- (b) The presentation made by OIPC was a “high level” approach to a Program Plan and did not provide any assessment of resource requirements;
- (c) As mentioned in document WO/GA/34/12 “Desk to Desk Assessment Final Report. Secretariat’s Comments”, dated August 17, 2007, it was stated that certain initiatives for organizational improvement had already been initiated by the Secretariat, namely: (i) HR Strategy; (ii) new Financial Regulations and Rules (FRR); (iii) ERP; (iv) Outsourcing; and, (v) IT. In the OIPC presentation, the Committee was advised that progress had been made on the following:
 - (i) the implementation of the new Financial Regulations and Rules (FRR);

- (ii) the piloting of the new Performance Appraisal System (PAS);
and,
 - (iii) the development of an IT strategy.
- (d) An Office Instruction (OI 42/2007) had initiated the implementation of the FRR. An understanding was given to the Committee that a full report on the piloting of the PAS would be made at the next meeting of the Committee, in February 2008. With regard to IT strategy, a report was due to be made by the IT Board imminently; and,
- (e) In the transition period running up to the appointment of a new Director General, there was a question on the part of the Secretariat as to what extent real progress could be made on establishing and implementing the integrated program for Organizational Improvement.

24. The Committee observed that the OIPC “draft Program for Organizational Improvement” powerpoint presentation did not meet the recommendations made by the Committee at its sixth meeting (document WO/AC/6/2, paragraph 24), as subsequently endorsed by a decision of the WIPO General Assembly at its Thirty-Fourth (18th Ordinary) Session (September 25 to October 3, 2007) (document WO/GA/34/16, paragraph 34) that:

- “(a) The Secretariat develops a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC’s Final Report, and as recognized by the Secretariat in its report (WO/GA/34/12). Because such a program will not only be complex but likely to extend over a period of years, it should be constructed on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent);
- (b) The Secretariat should prepare a road map for the implementation of the program showing the organizational and resourcing requirements. This road map should be reviewed by the committee at its meeting scheduled for the first week of December 2007;”

25. The Committee expressed the view that failure to make progress on establishing a program for integrated Organizational Improvement in the run up to the appointment of a new Director General would have a negative impact on the Organization.

26. The Committee further observed that a successful integrated program for Organizational Improvement could not be undertaken unless the Secretariat:

- (a) Had the full engagement of both management and staff, and that this would not be obtained without a coherent vision or set of alternative scenarios as the objective(s) to be reached by the change program;
- (b) Established first the starting point for change in terms of comprehensive flow charting of the Organization’s operations and mapping of all staff functions;

- (c) Addressed the leadership and management issues identified in PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment;
- (d) Addressed the issue of having the necessary resources and competency to undertake an integrated program for Organizational Improvement;
- (e) Established more clearly the linkage between Results-Based Management (RBM) and the Performance Appraisal System; and,
- (f) Demonstrated how the proposed ICT systems would play a role as an enabler of organizational improvement (see also paragraph 20(a));

27. The Committee noted that it would be difficult to address simultaneously the various initiatives proposed by OIPC, and that proper critical path analyses for prioritizing initiatives would be expected to be a part of compiling the road map.

28. The Committee also noted the decision by the General Assembly (document WO/GA/12/16, paragraph 34(c)(iii) that:

“an open-ended meeting of Member States be convened, in the first quarter of 2008, to consider the documents to be submitted by the Secretariat to the WIPO Audit Committee in accordance with the preceding sub-paragraph, revised if appropriate in the light of any comments of the WIPO Audit Committee”.

29. The Committee recommends that:

- (a) OIPC re-addresses the integrated program for Organizational Improvement and presents a road map, in accordance with the General Assembly decision cited in paragraph 24 above, for the Committee's next meeting in February 2008;
- (b) OIPC be properly empowered and resourced with necessary competencies in order to undertake the tasks entrusted to it, and again reports to the Committee on this matter at its meeting in February 2008;
- (c) The process of establishing the integrated program for Organizational Improvement should be based on openness, accountability and integrity. Throughout the process, WIPO management, which is responsible for leadership of the program, should hold regular dialogue and consultations with, and report to:
 - (i) Member States (see paragraph 28 above);
 - (ii) Staff, including the Staff Council, through the statutory staff/management consultation channels; and,
 - (iii) the WIPO Audit Committee.

30. The Committee also recommends that, as part of undertaking the critical path analyses and planning for the road map, the Secretariat incorporates:

- (a) Alternative options, for consideration by future management, about the administrative structure of the Organization aligning it with best and most commonly accepted structures in the UN system;
- (b) Alignment of the Organizational Structure to the Program Structure and issuance of a documented Organigram that spells out the function, responsibilities and accountability of each organizational unit. In this regard, the Organigram should clearly show the reporting lines among Organizational units, and the approved staffing tables by number and level of posts;
- (c) Development of annual work plans for all staff members to form the basis for the Performance Appraisal System (PAS);
- (d) Pending the possible implementation of an ERP system, the development of ICT systems that:
 - (i) facilitates and ensures safe handling of financial authorities delegated to Program Managers; and
 - (ii) facilitate control of the staffing table, charting of the Organization's operations, and mapping of all staff functions.

31. The Committee expects to receive a progress report on each of the items under paragraph 30 in time for its next meeting in February 2008.

Financial Regulations and Rules

32. A presentation was made to the Committee on the new Financial Regulations and Rules (FRR) by Mrs. Graffigna, Executive Director and Controller.

33. The Committee noted:

- (a) Office Instruction No. 42/2007, dated November 12, 2007, and a letter dated November 26, 2007, regarding the new Financial Regulations and Rules (FRR), effective as of January 1, 2008;
- (b) The Matrix of tasks to be undertaken to implement the new FRR, which highlights the volume and complexity of the tasks; and,
- (c) That, according to Office Instruction No. 42/2007, the Controller, besides being *de facto* the Controller, will also act as Financial Executive Director, and will therefore be responsible for: ensuring that appropriate advice is given to the Director General on all financial matters; keeping proper financial records and accounts; and, maintaining an effective system of financial internal control.

34. To assure internal control, in addition to points made on IAOD under Agenda Item 1, and on ICT under Agenda Item 3 above, the Committee recommends that:

- (a) Training be provided for staff to equip them with the necessary skills and know-how needed for the application of the new FRR;
- (b) Adequate attention be given to compliance with the new FRR; and,
- (c) Serious consideration be given to designating a Senior Executive responsible to the Controller for ensuring compliance with WIPO procedures, and all applicable statutes and regulations.

35. The Committee will continue to review the implementation of the new FRR at its next meeting in February 2008.

AGENDA ITEM 5: Other Matters

(a) Staff Council

36. At the request of the Staff Council, the Committee met with Mrs. Sally Young, President, and Mrs. Alba Steiner, Vice-President, who provided the Committee with a copy of the Staff Council Newsletter dated November 28, 2007, and an Internal Memorandum from the Staff Council to the Director General, dated November 28, 2007.

37. The Committee was apprised orally by Mrs. Young and Mrs. Steiner of the contents of those two documents, as well as other matters.

38. Some of the topics introduced and discussed included the Joint Advisory Committee, Promotion Advisory Boards and Selection processes.

39. The Committee will review those and other staff-management related matters with WIPO management and the Staff Council under the Desk-to-Desk Agenda Item at its next meeting in February 2008.

(b) Briefings and Inductions

40. The Committee was unable to benefit from briefing and inductions by WIPO officials on the PCT, Madrid, Hague and Lisbon systems. This will be organized for its February 2008 meeting.

(c) Next Meeting

41. The next meeting of the Committee will be held from February 18 to 21, 2008.

42. Subject to further discussion by the Committee, the draft Agenda for the February 2008 meeting is anticipated to include:

1. Joint meeting with the President of the General Assembly, the Chairperson of the Coordination Committee and Regional Group Coordinators
2. (a) Joint meeting with the External Auditor, Internal Auditor and the Committee
(b) Internal Audit and Oversight
3. Desk-to-Desk Review
4. New Construction Project
5. Enterprise Resource Planning
6. Information and Communication Technology
7. Other matters

[Annex follows]

WIPO



WO/AC/7/1

ORIGINAL: English

DATE: December 3, 2007

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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Seventh Meeting
Geneva, December 3 to 6, 2007

AGENDA

prepared by the Secretariat

1. Internal Audit and Oversight
2. The New Construction Project
3. IT Audit
4. The Desk-to-Desk Review
5. Other matters

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