

Program and Budget Committee

Fifteenth Session

Geneva, September 1 to 3, 2010

REPORT BY THE CHAIR OF THE WIPO AUDIT COMMITTEE

document prepared by the Secretariat

1. The WIPO Audit Committee held its fifteenth, sixteenth and seventeenth meetings in December 2009 and April and July 2010, respectively. The reports of these three meetings are attached to this document as Annex I.
2. In 2009, the Committee carried out an assessment of its work and operations, as contained in document WO/GA/38/2. An extract of that document containing the Committee's recommendations is attached as Annex II.
3. *The Program and Budget Committee is invited to review the reports of the fifteenth, sixteenth and seventeenth meetings of the WIPO Audit Committee contained in Annex I of this document and the Committee's recommendations contained in Annex II.*

[Annex I follows]



WO/AC/17/2
ORIGINAL: ENGLISH
DATE: JULY 30, 2010

WIPO Audit Committee

**Seventeenth Meeting
Geneva, July 5 to 9, 2010**

REPORT

Adopted by the WIPO Audit Committee

CONTENTS

Agenda Item 1: Adoption of the Agenda	3
Agenda Item 2: Executive Session	3
Agenda Item 3: Meeting with the Staff Council.....	4
Agenda Item 4: Meeting with the Director General and Senior Management Team	5
Agenda Item 5: Strategic Realignment Program	6
A. Strategic Realignment Program Plan	6
B. Voluntary Separation Program	7
C. Ethics Office	8
Agenda Item 6: Enterprise Resource Planning.....	9
Agenda Item 7: Financial Management Report for the 2008/09 Biennium.....	10
Agenda Item 8: Program Performance Report for the 2008/09 Biennium; Evaluation	11
A. Program Performance Report 2008/09.....	11
B. Validation of the Program Performance Report 2008/09.....	11
C. Program Management and Performance Section (PMPS) Work plan 2010/11.....	12
D. Evaluation	12
Agenda Item 9: Revision of the Internal Audit Charter	12
Agenda Item 10: Internal Controls	13
A. Internal Control Gap Assessment.....	13
B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report	14
C. IAOD Work plans	14
D. Follow-up on Implementation of Oversight Recommendations	15
E. Update on Investigations	16
F. Internal Audit Reports.....	17
Agenda Item 11: External Auditor	18
A. External Auditor Selection Process	18
B. Meeting with the External Auditor.....	18
Agenda Item 12: New Construction Projects	18
Agenda Item 13: Meeting with Representatives of WIPO Member States; Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee	19
Agenda Item 14: Other Matters.....	20

INTRODUCTION

1. The seventeenth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from July 5 to 9, 2010. Present were Messrs. Gian Piero Roz (Chair), Khalil Issa Othman (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Pieter Zevenbergen.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

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

AGENDA ITEM 2: EXECUTIVE SESSION

3. The Committee reviewed the meeting document list and noted that many documents had not been sent on time, i.e. 15 days before the Committee’s meeting, and that some documents had not been sent at all. The Committee’s seventeenth meeting had been scheduled to ensure that its report would be issued on time for the fifteenth session of the Program and Budget Committee (PBC/15). It understood that the Secretariat was still working on documents for PBC/15. The Committee therefore decided to hold its eighteenth meeting at the end of August. Since the report of that meeting would be issued only a few days before PBC/15, it would be presented to the PBC orally.
4. The Committee further noted that the documentation before it was very voluminous and that the time consuming task of document review was exacerbated by the fact that a number of reports lacked a concise and comprehensive Executive Summary.
5. The Committee also noted that a number of published Office Instructions and reports relevant to the Committee’s mandate had not been forwarded to the Committee for information or review. Although the Committee does not have operational or managerial functions, it wished to draw the attention of WIPO Management to the fact that, to fully meet its mandate, the Secretariat should provide the Committee with relevant information and documentation on time. The Committee decided to discuss with the Secretariat, at its next meeting, how documentation coordination and its link to the timing of the Audit Committee meetings could be improved.

Recommendation

6. The Committee recommends that all reports issued by the Secretariat should include a comprehensive and exhaustive Executive Summary that incorporates the report’s main findings and recommendations.

AGENDA ITEM 3: MEETING WITH THE STAFF COUNCIL

7. The Committee met with representatives of the Staff Council at the latter's request. The Committee had met with Staff Council representatives in the past and was pleased to have the opportunity to meet with the recently elected new representative body. The Committee noted that, in accordance with the Staff Regulations and Staff Rules, the Staff Council has a statutory role in the governance of the Organization and that "The interests of the staff shall be represented before the Director General and his representatives by a Staff Council elected by the staff members."¹
8. The Staff Council representatives were reminded that the Committee does not have operational and managerial responsibilities and that its mandate is provided for in its Terms of Reference as established by Member States.
9. The Staff Council shared its concerns regarding:
 - (a) Investigation procedures and the newly drafted Investigation Manual, and the consultation process related to the Investigations Policy.²
 - (b) The lack of consultation, required by the Staff Regulations and Staff Rules, concerning the creation of the Ethics Office and the selection process of the new Ethics Officer.³
 - (c) The lack of consultations with the Staff Council on the reorganization of the Medical Service and its outsourcing to the United Nations Office in Geneva, and access to existing WIPO medical records.⁴ In its subsequent meeting with the Chief of Staff and Chief Ethics Officer (see Item 5C below), the Secretariat confirmed that the Medical Service had been provided by the UN Medical Services since the beginning of 2009 and that it was only the modalities of that arrangement that had been modified. On the issue of the existing WIPO medical records, the Secretariat confirmed that the Administration would revert to staff on the handling of these, ensuring that all parties' rights were safeguarded, first and foremost those of the staff.
 - (d) Lack of transparency on recruitment procedures⁵ (see also paragraph 68 below).
 - (e) The functioning of the internal system of justice, as already brought to the attention of the Coordination Committee by the Staff Council in 2009.
 - (f) Lack of consultation for the selection of the Ombudsman.
10. The Committee asked for clarification on the issues raised and dealt with certain matters during discussions on other agenda items, as contained in the body of this report.
11. The Committee was advised that a meeting between the Staff Council and the Director General was scheduled for Wednesday, July 7, 2010. It welcomed extended

¹ Regulation 8.1, WIPO Staff Regulations and Staff Rules

² See also paragraph 77 (e) below

³ See also paragraph 27 below

⁴ See also paragraph 27 below

⁵ This issue was previously raised at the Committee's eighth meeting in 2008. See document WO/AC/8/2, paragraphs 35 to 38

consultation between staff and management in particular during this reform period and decided to follow up on this matter at its next meeting.

AGENDA ITEM 4: MEETING WITH THE DIRECTOR GENERAL AND SENIOR MANAGEMENT TEAM

12. The Chair of the Committee welcomed the presence of the Director General and, for the first time, the entire Senior Management Team (SMT), namely: Deputy Directors General Geoffrey Onyeama (Cooperation for Development Sector), James Pooley (Innovation and Technology Sector), Binying Wang (Brands and Designs Sector) and Christian Wichard (Global Issues Sector), and Assistant Directors General Trevor Clarke (Culture and Creative Industries Sector), Ambi Sundaram (Administration and Management Sector) and Yo Takagi (Global Infrastructure Sector).
13. The Director General briefed the Committee on a range of issues including: the impact of the financial crisis (the trend is now up and not down but income will not rise at the same rate as before); the possibility of resorting to extra-budgetary resources; internal measures such as the reorganization of the Secretariat whereby, for example, the new titles of the Deputy Director Generals and Assistant Director Generals reflect their respective functions; the Voluntary Separation Program (VSP); the Strategic Realignment Program (SRP) and challenges therein; the introduction of the Medium Term Strategic Plan (MTSP); and, communications: external with Member States and other stakeholders and internal with staff.
14. Concerning Staff issues, the Director General stated that 55 posts vacated through the VSP would be used for regularization of long-term short-term employees, which would simultaneously result in a headcount reduction of 55. Concerning a backlog of post reclassification requests, he informed the Committee that 218 of the 263 requests had now been dealt with.
15. The briefing was followed by questions and answers and discussion on most of the issues raised by the Director General including: accountability; the availability of skills and competencies to carry out the changes and the mandate of WIPO as a specialized technical agency of the UN; and, the need to strike a balanced agenda between producers and consumers of intellectual property.
16. Two SMT members, referring to the discussion that had taken place during the Committee's sixteenth meeting, advised the Committee that they were particularly concerned respectively by (i) information security and (ii) the risks the Organization may face should multilateral consultations such as those taking place on copyright take too long even as technology evolves rapidly. These issues could lead to a loss of the Organization's credibility and relevance.
17. The Chair thanked the Director General and the SMT members and hoped that the tradition of meeting with the Committee would continue.

AGENDA ITEM 5: STRATEGIC REALIGNMENT PROGRAM

18. Documents presented to the Committee are listed in Annex II.
19. The Committee met with Mr. Ambi Sundaram, Assistant Director General; Mr. Miguel Figuerola, Director, Human Resources Management Department; Mrs. Chitra Narayanaswamy, Acting Director, Resource Planning, Program Performance and Management Division; Mrs. Ingrid Wynant, Consultant, Human Resources Engagement and Development Section; and, Mr. Alberto Salvador de la Hoz, External Consultant. For sub-item "C. Ethics Office", the Committee met with Mr. Naresh Prasad, Executive Director and Chief of Staff, and Mr. Arvard Bishop, Chief Ethics Officer.

A. Strategic Realignment Program Plan

20. The Strategic Realignment Program (SRP) was referred to on many occasions in the context of other Agenda items thereby confirming its Organization-wide impact.
21. A progress report was submitted after the Committee's fifteen day document receipt deadline and a powerpoint presentation made during the Committee's meeting. The Committee will review the progress report in detail at its eighteenth meeting, as well as any SRP-related documents issued for the forthcoming Program and Budget Committee meeting.

Observations

22. The Committee noted that:
 - (a) All initiatives had collective ownership on the part of the Senior Management Team (SMT) and, in addition, each SMT member had been assigned the role of a "Champion" of one or more initiatives.
 - (b) The four values apply to the Organization as a whole and cut across all sectors.
 - (c) A new initiative had been added, namely "Business Continuity" (with Mr. Sundaram as SMT champion and Mr. Wei Lei as Project Leader), bringing the total number of initiatives to 19.
 - (d) Overall accountability and responsibility remained in line with the Organizational structure but collaboration and ownership of the initiatives may be cross-departmental. The risk that such an approach may lead to excessive decentralization with a related loss of control over the various initiatives would need to be monitored carefully.
 - (e) All Project Leaders were expected to submit detailed Project Briefs to the Project Management Office by July 31, 2010. The Briefs would include resource requirements.
 - (f) Outcome indicators (about 20 in total for the four values) were being identified to measure ongoing progress and the rate of final success.

- (g) The main risks identified so far were:
- (i) a possible lack of financial and human resources to accomplish so many parallel initiatives;
 - (ii) insufficient involvement and ownership on the part of the staff; and,
 - (iii) the complexity of the SRP due to its Organization-wide impact.
- Risk mitigation measures were being identified.
- (h) The need, identified by Management, to strike a balance between implementation versus monitoring and reporting.
- (i) The initial critical path analysis had identified the following:
- (i) two initiatives with high interdependency (the implementation of the Enterprise Resource Planning system and the strengthening of Results Based Management);
 - (ii) four strong impact initiatives, mainly in the human resources and the information and communication technology areas, where implementation could negatively impact those under (i); and,
 - (iii) three strategic initiatives considered key by Management including, among others, the strengthening of the internal control system.

B. Voluntary Separation Program

23. The Voluntary Separation Program (VSP) was discussed on many occasions during the Committee's meeting. An oral presentation was made to the Committee but a progress report was not submitted. The Committee was informed that a detailed report, incorporating information requested by the Committee, was under preparation for the WIPO Coordination Committee meeting in September.

Observations

24. The Committee noted that:
- (a) 99 requests had been approved and 87 staff had separated (some applications had been withdrawn and one case was still pending).
 - (b) The total cost was estimated at 23.6 million Swiss francs, i.e., below the initial estimate of 30 million Swiss francs. As of the end of June 2010, 22 million Swiss francs had been disbursed.
 - (c) Financing had been provided using provisions for separation from service and post-employment benefits, which would now need to be replenished.
 - (d) Out of the 87 posts, 55 had been set aside for the possible regularization of long-term short-term employees while the remaining 32 would be used to fill vacancies in areas where specific skills were lacking.

25. The Committee decided to review the final report presented to the Coordination Committee at its next meeting and expects that the report will include details on the criteria used to redistribute the posts vacated through the VSP among organizational units as well as on the procedures for filling them.

C. Ethics Office

26. The Committee welcomed the creation of the Ethics Office, a long standing issue which the Committee first outlined in March 2007.⁶
27. The Chief of Staff informed the Committee that, due to an oversight, the Office Instruction on the establishment of the Ethics Office had been issued without prior consultation with the Staff Council, which would be reviewed. Concerning the question raised by the Staff Council on medical records, he confirmed that the Human Resource Management Department was looking into this matter.
28. The Chief of Staff also reminded the Committee that the establishment of a comprehensive ethics and integrity system was one of the SRP initiatives, under the value "Environmental, Social and Governance Responsibility". The Committee recalled its recommendation made in May 2008⁷ that the International Civil Service Standards of Conduct should be more prominent on the Intranet. The UN Secretary-General Bulletin with explanatory notes could be used as a baseline for a similar document within WIPO. No action appeared to have been taken so far.
29. In the opinion of the Committee, the issue of Ethics cannot be seen in isolation. It is closely related with the work of the Ombudsman, the internal system of justice, the investigations policy, the reform of human resources management, fraud prevention, and the WIPO oversight system overall.
30. The Committee drew the Chief Ethics Officer's attention to the Committee's many recommendations on ethics-related issues and in particular to comments made in June 2009 on the proposed financial disclosure policy. In the view of the Committee, all observations made at that time were still valid and therefore needed to be addressed.

Observations

31. The Committee noted that:
- (a) The four main pillars of WIPO's ethics policy would be:
 - (i) norm setting and policy development;
 - (ii) promotion of norms and values;
 - (iii) confidential advice to management and staff; and,
 - (iv) implementation of key policies i.e., financial disclosure, a whistleblowing policy, protection of staff against retaliation, etc.

⁶ Document WO/AC/4/2

⁷ Document WO/AC/9/2 paragraph 29(c)

- (b) Ethics would require a change in culture and attitude at WIPO. The SRP already included an extensive training program to be organized after the approval of the WIPO Code of Ethics by WIPO Member States.
- (c) Work would be undertaken on a priority basis to finalize the implementation of the Financial Disclosure Policy.
- (d) Extensive consultation would be organized with the Staff Council on the development of a Code of Ethics for WIPO.
- (e) Management considered the main risk factor to be a certain degree of skepticism amongst staff in the Ethics Office.

Recommendations

- 32. In line with paragraph 29 above, and to ensure a cohesive ethics system at WIPO, the Committee recommends that the Secretariat should undertake an overall review of Ethics related issues within the framework of the SRP, including: Code of Ethics, Ethics Office, Ombudsman, internal system of justice, investigations, and the review of the Staff Regulations and Staff Rules. The oversight bodies, Internal and External Auditors and the Audit Committee could assist with this work.
- 33. To ensure transparency and improve staff confidence, the Committee recommends that, following best practice in other organizations, the Secretariat should consider issuing annual reports of the activities of the Ethics Officer and of the Ombudsman, and a report by the Director General on the administration of justice in the Secretariat, including cases opened in front of or completed by the International Labour Organization Administrative Tribunal (ILOAT).

AGENDA ITEM 6: ENTERPRISE RESOURCE PLANNING

- 34. The Committee met with Mr. Wei Lei, Chief Information Officer, and Mrs. Chitra Narayanaswamy, Acting Director, Resource Planning, Program Performance and Management Division.
- 35. The Committee was briefed orally on the preparation for the financing and launching of the Enterprise Resource Planning (ERP) project. The Committee was therefore not in a position to comment in detail on this subject.
- 36. The Committee recalled that implementation of the ERP system was key for implementation of many of the SRP initiatives, in particular those relating to human resources management (about 70% of the Organization's expenditure) and Results Based Management. The implementation of the internal control system would also depend heavily on the ERP system.
- 37. The Committee also noted that the Organization planned to propose an incremental implementation of the ERP system. This was in line with past experience and would limit the kind of risks faced by some other UN organizations also implementing ERP systems.
- 38. The Committee noted the critical issue of the definition of a new chart of accounts to support Results Based Management and the Program Performance Report. It also concurred with Management on the difficulties faced in defining business needs in such a way so as to ensure that the ERP system would not be limited to being simply an

automated data collection tool but instead be a useful management tool and an information platform for Member States.

39. The Committee further noted the successful implementation of the new modules of the finance system in conjunction with the introduction of the International Public Sector Accounting Standards (IPSAS).
40. The Committee decided to revert to this subject at its eighteenth meeting.

AGENDA ITEM 7: FINANCIAL MANAGEMENT REPORT FOR THE 2008/09 BIENNIUM

41. Documents presented to the Committee are listed in Annex II.
42. The Committee met with Mr. Philippe Favatier, Chief Financial Officer (Controller) and Mrs. Cook Robbins, Head, Finance Services.
43. The Committee received a draft version of the Financial Management Report (FMR), pending approval by Management, after the Committee's document receipt deadline. The Committee acknowledged the amount of work undertaken by the Department of Finance and Budget to finalize the draft.
44. The draft FMR was presented orally.
45. The Committee was of the opinion that the FMR should be read in conjunction with the Program Performance Report (PPR), the PPR Validation Report and the Report of the External Auditor on the biennial accounts.

Observations

46. The Committee noted, in particular, that:
 - (a) The Financial Statements were included in the Financial Management Report.
 - (b) The report was presented following the International Public Sector Accounting Standards (IPSAS) format. This format included extensive notes.
 - (c) The report had been audited during its preparation, on an ongoing basis, by the External Auditor, in view of its new format.
 - (d) All extra-budgetary resources had been shown in the report.
 - (e) A staffing table showing all posts and the headcount of temporary staff, as previously requested by the Committee, had been included.
47. In view of the late submission of the draft FMR and lack of time for a comprehensive review, the Committee decided to take up this matter again at its next meeting in August in order to report on the FMR to the PBC in September 2010.

AGENDA ITEM 8: PROGRAM PERFORMANCE REPORT FOR THE 2008/09 BIENNIUM; EVALUATION

48. Documents presented to the Committee are listed in Annex II.
49. The Committee met with Mr. Philippe Favatier, Chief Financial Officer (Controller), Mr. Nick Treen, Director, Internal Audit and Oversight Division, Mr. Joe Bradley, Head, Program Management and Performance Section (PMPS), and Mrs. Maya Bachner, Senior Results Based Management (RBM) Advisor, PMPS.

A. Program Performance Report 2008/09

Observations

50. The Committee observed that:
 - (a) The Program Performance Report (PPR) was rich in information on deliveries and results at the Program level, but poor in analysis. It did not provide an overall picture of the progress achieved towards attaining the strategic goals of the Organization as a whole. An overview of performance at the Organizational level is essential in any reporting on Program achievements. Such overview should also reflect the challenges and problems encountered during the implementation process.
 - (b) The Committee noted that the report provides some consolidated figures on the allocation and expenditure by Programs. These figures did not constitute a useful indication on the cost efficiency of their implementation.
 - (c) The PPR did not provide a reasonable assurance to stakeholders that the Program had been implemented in a cost-efficient and cost-effective manner.
 - (d) In the absence of a system for periodic monitoring and assessment of results achieved that links expenditures and work plans at all levels to the specific objectives of the Program, the usefulness of the report as a management tool was limited.

Recommendation

51. The Committee recommends that the PPR should be more analytical if it is to become a useful tool for Management and stakeholders. It should include financial data linking the expenditures to the progress achieved so that cost-efficiency of performance can be measured.

B. Validation of the Program Performance Report 2008/09

Observations

52. The Committee reviewed an IAOD report on the validation of the PPR 2008/09 dated June 15, 2010. The document was received during the Committee's meeting providing little time for the Committee members to reflect on it thoroughly. The Committee observed that:

- (a) The report did not validate the authenticity and reliability of the information provided in the PPR regarding the efficiency of deliveries and the results achieved during the 2008/09 biennium. Instead, it examined the data limitation used to measure performance against a set of criteria, i.e. relevant, comprehensive, accurate, verifiable, clear, etc.
- (b) Notwithstanding the above, the findings of the exercise were useful for improving the baseline data used in the assessment of the results achieved.
- (c) The Program Management and Performance Section (PMPS) considered the findings and recommendations of the validation exercise useful to their on-going efforts to improve the baseline data information needed to assess the results achieved.

C. Program Management and Performance Section (PMPS) Work plan 2010/11

Observations

- 53. The Committee was handed an undated paper entitled “Program Management and Performance Section Work Plan 2010/11” during its meeting. The Committee was informed that the PMPS work plan was driven by the SRP “Strengthen RBM Initiative” described in the included Project Brief.
- 54. In line with the recommendation made at its sixteenth meeting,⁸ the Committee expects to receive a detailed PMPS 2010/11 work plan for its nineteenth meeting.

D. Evaluation

- 55. The Committee decided to review this subject at its nineteenth meeting.

AGENDA ITEM 9: REVISION OF THE INTERNAL AUDIT CHARTER

- 56. Documents presented to the Committee are listed in Annex II.
- 57. The Committee met with Mr. Nick Treen, Director, Internal Audit and Oversight Division.
- 58. The Committee reviewed the proposed changes to the WIPO Internal Audit Charter (IAC) and considered that the revisions did not fully reflect developments in WIPO in the areas of ethics, internal control, accountability, and the internal system of justice, as well as international developments in the area of internal audit. Developments within WIPO as a result of the Strategic Realignment Program were also not reflected.
- 59. The Committee therefore decided to continue its review of the revised IAC text, including follow up on related developments, at its next meeting in August 2010. In the Committee's opinion, this review may also need to be extended to future meetings.
- 60. Nevertheless, the Committee did reach a decision regarding the term of office of the Internal Auditor. The Committee concluded that a non-renewable term of office of five years met expectations and was in line with UN Secretariat practice.

⁸ Document WO/AC/16, paragraph 36(a)

Recommendation

61. While the Committee continues to review the IAC, it recommends that, at this stage, the term of Office of the Director of IAOD be limited to five years, non-renewable.

AGENDA ITEM 10: INTERNAL CONTROLS

62. Documents presented to the Committee are listed in Annex II.
63. The Committee met with Mr. Nick Treen, Director, Internal Audit and Oversight Division, as well as with Mr. Wei Lei, Chief Information Officer, for discussions under sub-item "F. Internal Audit Reports".

A. Internal Control Gap Assessment

64. The Committee welcomed the long overdue report and appreciated its contents and presentation. The Director of IAOD stressed that the report fitted with the overall SRP approach. The staff survey conducted for the study also provided interesting results both for the study itself and for Management.

Observations

65. The Committee noted that:
 - (a) The report was well integrated with the SRP and was relevant for four initiatives: strengthening of Results Based Management; implementation of the Performance Management and Staff Development System (PMSDS); strengthening of the internal control system; and, establishment of a comprehensive ethics and integrity system.
 - (b) INTOSAI guidelines had been used as a basis for the study.
 - (c) The report confirmed some of the findings of the 2007 Desk to Desk report and several statements and recommendations made by the Committee over the past four years in the human resources area, concerning the need for an ethics and integrity framework and on risk management.
 - (d) The "bottom up" approach complemented by a "top down approach" recommended by the consultants for the definition of risks by area appeared to fit well the needs of the Organization and was in line with the approach successfully implemented at the request of the Committee for certain projects over the past few years, in particular, the New Construction Project.
 - (e) A considerable amount of work was still needed given that the consultants had identified that less than 10% of the "22 identified entity level controls were mature and fully in place".
 - (f) The staff survey had proved a useful tool for facilitating the study and identifying sensitive areas requiring attention by management as a matter of priority.

Recommendation

66. The Committee recommends that:
- (a) Given the importance of its contents, the Secretariat should bring this report to the attention of Member States.
 - (b) The SMT should consider the report and implement its recommendations.
 - (c) The SRP Project Management Office should regularly use the WIPO Entity-level Control Gap and Analysis Tool contained in the report, to provide the SMT (in particular the SMT champions) with a tool to monitor progress made in overcoming internal control gaps identified.

B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report

67. The Committee noted that:
- (a) The P5 post for Head of the Internal Audit Section had not been filled and another attempt at recruitment would be made as of September. In the meantime, in order to supplement the Section's capacity, an offer might be made at P4 level for a 12 month consultancy in the Internal Audit Section commencing this August.
 - (b) IAOD staffing gaps in other Sections still remained and this had been reflected in IAOD's 2010/11 work plans. In the Investigation Section, there was currently a P4 Senior Investigator in post, a consultant investigator contracted to the end of 2010, and an investigation assistant on a six month short term contract. In the Evaluation Section, the vacancy announcement for the post of Section Head had seen a favorable response. A Selection Board for the latter had not yet been convened.
 - (c) It appeared that the current Staff Regulations and Staff Rules are relatively loosely drafted permitting a considerable degree of flexibility and informality in recruitment procedures. In particular, in connection with any recruitment for IAOD, there was no provision eliminating potential conflict of interest whereby a member of a Selection Board could also be the subject of an IAOD review.

Recommendation

68. The Committee recommends that the development of an interim transparent selection policy be treated as a matter of priority pending the overall redrafting of the Staff Regulations and Staff Rules (see also paragraph 9(d) above).

C. IAOD Work plans

69. As decided at its last meeting, the Committee reviewed the implementation of the Work Plan during the period January to June 2010.
70. The Committee noted that:
- (a) The audit of technical assistance had not commenced.
 - (b) Continuous audit using the audit support software (ACL) tool had been delayed but valuable technical help had been received from the European Patent Office (EPO).

- (c) An audit of the Arbitration and Mediation Center was in progress.
- (d) The regular audit of the New Construction Project had again yielded some useful recommendations.
- (e) The Senior Auditor was on sick leave which was delaying fulfillment of the work plan of the Audit Section.

D. Follow-up on Implementation of Oversight Recommendations

71. The Committee was distressed to learn that data that had been entered into a system to monitor implementation of oversight recommendations had been lost. The Committee recalled that since its second meeting in July 2006 it had requested that an effective system be put in place to follow-up on the implementation of oversight recommendations. Recommendations on this subject had been made at six successive meetings.

Observations

72. The committee noted that:
- (a) The Administration and Management Sector had taken steps to dedicate its own resources for the collection and entry of data necessary for this undertaking.
 - (b) The Information and Communications Technology Department had stated that it would take less than 2 months to develop the long needed database.
 - (c) A major effort had been undertaken for data collection after the personal involvement of the Director General to address this long standing issue.
 - (d) The current 264 page document could not be used (i) as a management tool and (ii) by management to assess the status of oversight recommendations implementation.
 - (e) Office Instruction 16/2010 "Implementation of Oversight Recommendations" had eventually been issued in May 2010. It defines the responsibility of managers for dealing with oversight recommendations but, as previously noted by the Committee, does not address the consequences in case of non compliance.

Recommendations

73. The Committee recommends that:
- (a) The Administration and Management Sector and IAOD should work closely together to finalize the long awaited database so that an update of the status of oversight recommendations can finally be made with only the most relevant outstanding recommendations being given priority for implementation.
 - (b) Procedures for the implementation of the provisions of Office Instruction 16/2010 should be put in place and communicated to the Committee at its nineteenth meeting.
 - (c) Consideration should be given to the implementation of the accountability framework, including possible sanctions, for managers who fail to implement the provisions of Office Instruction 16/2010.

E. Update on Investigations

74. The Committee welcomed the reports on investigation workload, case types and costs that the Director of IAOD had provided to it at the Committee's request. It exchanged views with the latter on the status of the Investigation Manual and Policy and on the other information provided.
75. The Committee considered that the explanations provided to the Committee on the procedures followed for investigations conducted outside of IAOD (see document WO/GA/38/1, Annex, page 4) were insufficient to give satisfactory answers to the questions raised by the Committee and by the Staff Council on this issue.
76. At this stage, the Committee was not in a position to comment on the Investigation Manual. It noted, however, the comments of the Staff Council on the third draft version⁹ and the replies provided by the Internal Auditor.

Observations

77. The Committee noted that:
- (a) The work undertaken was in line with the SRP initiative on strengthening internal controls.
 - (b) Misunderstandings between IAOD and the Staff Council concerning investigation procedures and the Investigation Manual still appeared to exist.
 - (c) There still seemed to be confusion about the status of ongoing investigations and of investigations that had been completed but needed follow-up action. This could create mistrust among the staff.
 - (d) Some investigations had been on-going for a considerable time with certain staff suspended for almost two years to date.
 - (e) The Staff Council considered that statutory consultations needed to take place before finalization of the draft Investigation Policy.
 - (d) Confusion still seemed to exist over responsibility for (i) investigations to be conducted by IAOD, and (ii) fact finding procedures to ascertain misconduct and fraud, to be conducted by the Human Resources Management Department and the Department of Finance and Budget.
 - (e) As stated in paragraph 29 above, the Investigation Policy is part of the overall internal system of justice and therefore needs to be addressed on an urgent basis in conjunction with the SRP initiatives "Revise enabling regulatory framework for HR management" and "Establish a comprehensive ethics and integrity system".

⁹ The submission of the two first drafts of the Investigation Manual had elicited no comments on the part of the Staff Council.

78. The Committee recommends that:
- (a) The Investigation Manual should be issued as soon as possible to ensure that investigators comply with a published methodology and procedures.
 - (b) All investigations should be conducted under the direct responsibility of IAOD and strictly adhere to published procedures.
 - (c) A review of the Investigation Policy and Manual should be conducted, in consultation with the Staff Council, initially every year to determine whether adjustments are required.
 - (d) All staff interviewed by investigators should be given a copy of the interview report for validation.
 - (e) Detailed information on investigations should be included in an annual report on the administration of justice in the Secretariat as recommended by the Committee in paragraph 33 above.

F. Internal Audit Reports

Follow Up Audit of IT Security and Access Controls

79. The Committee reviewed the internal audit report "Follow Up Audit of IT Security and Access Controls" with the Internal Auditor and the Chief Information Officer (CIO). The CIO stated that, based on his own assessment, more than 80% of IT security recommendations had been implemented and that this had been achieved during a period when the Head of Information Security had been seconded to IAOD for more than 50% of his time for over a year to assist with investigations.
80. He also advised the Committee that the process for identifying internal control needs on information security was dependent on the assessment of information security risks (identification of critical information by Program Managers) and on business continuity requirements.

Observations

81. The Committee noted that:
- (a) The Information and Communication Technology (ICT) Department reporting lines were now clearly identified within the Administration and Management Sector and that Mr. Pooley, Deputy Director General, Innovation and Technology Sector, had been identified as the SMT Champion for information security.
 - (b) Business continuity was a key element of the SRP.
 - (c) An ICT strategy was close to completion (an SRP project).
82. The Committee expects to be informed of progress made in this area at its nineteenth meeting.

Final Audit Report on the PCT Revenue Generation Process; Final Audit Report on the Revenue Generation Process for the Madrid and the Hague Systems

83. The Committee decided to postpone discussion on these reports to its nineteenth meeting, when it would invite Deputy Directors General Mr. Pooley and Mrs. Wang to comment upon them.

AGENDA ITEM 11: EXTERNAL AUDITOR

84. Documents presented to the Committee are listed in Annex II.
85. The Committee met with Mr. Philippe Favatier, Chief Financial Officer (Controller).

A. External Auditor Selection Process

86. As decided by the General Assembly endorsing a recommendation of the Program and Budget Committee (document WO/GA/38/20), the Committee was consulted by the Secretariat on the evaluation criteria for the selection of the External Auditor. The first draft evaluation criteria were modified accordingly.
87. The Committee was briefed on the number of submissions received and on the ongoing meetings of the selection committee which comprises the coordinators of the seven geographical groups.
88. The Committee requested the Secretariat to keep it informed on an ongoing basis of the progress made so that the Committee could determine when and how it would be in a position to review the first evaluation conducted by the Secretariat, in accordance with the agreed upon selection procedure. Given that no Committee Member resides in Geneva, the Committee would also consider, at its next meeting, how best to proceed.

B. Meeting with the External Auditor

89. The meeting with the External Auditor was postponed with his concurrence.

AGENDA ITEM 12: NEW CONSTRUCTION PROJECTS

90. Documents presented to the Committee are listed in Annex II.
91. The Committee met with Ms. Isabelle Boutillon, Secretary, Construction Committee; Mr. Alfio Favero, Consultant, New Construction Projects Section, Premises Infrastructure Division; and, Mr. Jean-Daniel Fehr, Project Director General, Burckhardt+Partner SA ("the Pilot").
92. Some Committee members also benefited from a site visit lead by Mr. Hofmeister, from Behnisch Architekten, the on-site project architect.

Observations

93. Documents presented to the Committee were not received in time for the Committee to consider them. However, based on the verbal presentation made to the Committee by Ms. Boutillon and Mr. Fehr, it was noted that:
- (a) The level of activity as anticipated had been very high with the fitting out stage in progress of the new office building and the issue of RFPs to general contractor candidates for the New Conference Hall. The consequent demands on the Pilot, the Internal Project Monitoring Team and the Construction Committee had contributed to the delay in submitting reports to the Committee.
 - (b) Satisfactory progress had however been made in line with targets for the New Construction Projects and there were no material new issues to report to the Committee.
 - (c) Discussions to resolve the interference of UN HMOSS perimeter security with a pedestrian right of way had been extended to include the Swiss Federal and local authorities, noting that FIPOI continued to be involved as the building permit application had been jointly filed by WIPO and FIPOI last year. It was still anticipated that satisfactory resolution of the matter would be obtained later in the year.
 - (d) Whilst discussions on extending the existing loan agreement by 40 million Swiss francs in respect of financing the New Conference Hall were expected to result in the signing of a loan addendum agreement shortly, it was not anticipated that any drawn down would occur before 2012.
 - (e) The potential use of the New Conference Hall, when complete, by third parties was expected to be discussed in 2011 and it was anticipated that WIPO would work with FIPOI to establish an appropriate framework for utilization of the new Hall during the periods of time when WIPO would not need it for meetings of its Member States or for other meetings organized by it.
 - (f) The Administrative Building Project appeared to be on time and budget and some funds earmarked for unforeseen needs were still available.

**AGENDA ITEM 13: MEETING WITH REPRESENTATIVES OF WIPO MEMBER STATES;
FOLLOW-UP ON THE ASSESSMENT OF THE WORK AND OPERATIONS OF THE WIPO
AUDIT COMMITTEE**

94. The Chair welcomed the Representatives of Member States (see Annex III for a List of Participants) and briefed them on issues discussed and deliberated by the Committee during its present session. Those issues included:
- Program Performance Report 2008/09
 - Validation of the Program Performance Report 2008/09
 - Strategic Realignment Program
 - Voluntary Separation Program
 - Meeting with the Director General and Senior Management Team
 - Internal Audit and Oversight Division (IAOD):
 - Internal Control and Gap Assessment
 - New Construction Project Risk Register

- IAOD Staffing
 - Follow-up on oversight recommendations
 - Investigations
 - Revision of the Internal Audit Charter
 - Meeting with the Staff Council
 - Ethics Office
 - Enterprise Resource Planning
 - New Construction Project
95. Details of the above-mentioned issues are found the body of the present report.
96. The Chair then moved to the question of follow-up on the Committee's Assessment Report (document WO/GA/34/2 and WO/GA/34/2 Corr.). He pointed out that since his and the Vice Chair's meeting with the Chair of the General Assembly last April, the Committee was unaware of developments regarding the General Assembly decision (document WO/GA/38/20, paragraph 30) on the composition and rotation of the Committee or its recommendations by the Working Group of the Program and Budget Committee established for that purpose, or the extended group under the chairmanship of the Chair of the General Assembly. He stated that the Committee stands by its recommendations and would again request Member States to act upon the decision of the General Assembly in 2009 also concerning the composition and rotation of the Committee membership. He reiterated the Committee's concerns regarding timing, continuity and the functioning of the Committee.
97. A number of Member States expressed their concerns regarding the present difficulties facing Member States in reviewing and examining the Committee's reports and recommendations. This was connected with the timetabling and time span of the Program and Budget Committee (PBC) and the inability of Member States to look in depth at the different items before the PBC. Others raised specific questions related to the briefing by the Chair of the Committee.
98. The Chair, Vice Chair and other members of the Committee responded to specific questions and among other things reminded the Representatives of Member States of the Committee's Assessment Report recommendation for the creation of a new layer of governance in WIPO that would have a smaller in membership than the PBC and which would meet more frequently.
99. There was an agreement that the Committee's interaction with Member States at the end of each of its quarterly meetings was beneficial and should continue.

AGENDA ITEM 14: OTHER MATTERS

100. The next meeting of the Committee is tentatively scheduled to take place between Monday, August 23 and Friday, August 27, 2010.

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

1. Financial Management Report
2. External Audit of the New Construction Project
3. Strategic Realignment and Voluntary Separation Programs
4. Revision of the Internal Audit Charter
5. Enterprise Resource Planning
6. Follow-up on Meeting with Staff Council Representatives
7. Meeting with Member States

[Annex I follows]



WO/AC/17/1
ORIGINAL: ENGLISH
DATE: JULY 5, 2010

WIPO Audit Committee

Seventeenth Meeting Geneva, July 5 to 9, 2010

AGENDA

Adopted by the WIPO Audit Committee

1. Adoption of the Agenda
2. Executive Session
3. Meeting with the Staff Council
4. Meeting with the Director General and Senior Management Team
5. Strategic Realignment Program
 - A. Strategic Realignment Program Plan
 - B. Voluntary Separation Program
 - C. Ethics Office
6. Enterprise Resource Planning
7. Financial Management Report for the 2008/09 Biennium

/...

8. Program Performance Report for the 2008/09 Biennium; Evaluation
 - A. Program Performance Report 2008/09
 - B. Validation of the Program Performance Report 2008/09
 - C. Program Management and Performance Section Work Plan 2010/11
 - D. Evaluation
9. Revision of the Internal Audit Charter
10. Internal Controls:
 - A. Internal Control Gap Assessment
 - B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report
 - C. IAOD Work plans
 - D. Follow-up on Implementation of Oversight Recommendations
 - E. Update on Investigations
 - F. Internal Audit Reports
11. External Auditor:
 - A. External Auditor Selection Process
 - B. Meeting with the External Auditor
12. New Construction Projects
13. Meeting with Representatives of WIPO Member States; Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee
14. Other Matters

[End of document]

[Annex II follows]

LIST OF DOCUMENTS

Annotation used in this List

- * Draft document
- ** Issued after document receipt deadline but prior to AC/17 meeting
- *** Issued during AC/17 meeting
- † Issued during AC/17 meeting for confidentiality reasons

ITEM 1: ADOPTION OF AGENDA

WO/AC/17/1 Prov. 1 "Draft Agenda", dated June 28, 2010 * / **

ITEM 2: EXECUTIVE SESSION

No documents

ITEM 3: MEETING WITH THE STAFF COUNCIL

- Memorandum from Staff Council to Mr. Treen, dated May 28, 2010, "Draft Investigation Procedure Manual" ***
- Memorandum from Mr. Treen to the Staff Council, dated June 23, 2010, "Staff Council Comments on Draft Investigations Procedure Manual" ***
- Correspondence between Mr. Treen and the Staff Council: ***
 - Memorandum dated April 30 Nick Treen to President of Staff Council
 - e-mail dated April 30 from Jan Van Hecke to Nick Treen
 - e-mail dated April 30 from Nick Treen to Jan Van Hecke
 - Memorandum dated May 6 from Staff Council to Nick Treen
- Track changes version of Investigation Procedure Manual showing differences between Final Draft, dated April 26, 2010, Investigation Procedure Manual, dated July 2010 ***
- Staff Council Newsletter November 2009 ***
- April 2010 Newsletter from the Staff Council ***

ITEM 4: MEETING WITH THE DIRECTOR GENERAL AND SENIOR MANAGEMENT TEAM

“A Medium Term Strategic Plan for WIPO, 2010-2015. First Draft Presented by the Director General to Member States on May 27, 2010” *

ITEM 5: STRATEGIC REALIGNMENT PROGRAM

A. Strategic Realignment Program Plan

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

Powerpoint presentation “Audit Committee Meeting. Progress on the Strategic Realignment Program”, dated July 2010 ***

B. Voluntary Separation Program

No documents

C. Ethics Office

Office Instruction OI 25/2010 “WIPO Ethics Office”, dated June 9, 2010

ITEM 6: ENTERPRISE RESOURCE PLANNING

No documents

ITEM 7: FINANCIAL MANAGEMENT REPORT FOR THE 2008/09 BIENNIUM

Draft Financial Management Report 2008/09 * / ***

ITEM 8: PROGRAM PERFORMANCE REPORT FOR THE 2008/09 BIENNIUM; EVALUATION

A. Program Performance Report

(i) Program Performance Report

WO/PBC/15/4: Program Performance Report for the 2008/09 Biennium

(ii) Validation report of the 2008-09 Program Performance Report

- WO/PBC/15/5: “Summary Validation Report on the Program Performance Report for 2008/09”, dated June 22, 2010 ***

- Evaluation Report IAOD/EVAL/10/1: “Validation of the 2008/2009 PPR”, dated June 4, 2010 ***

(iii) Program Management and Performance

Program Management and Performance Section (PMPS) Workplan ***

B. Evaluation

- Memorandum from Mr. Treen to the Director General "Evaluation Policy, Guidelines and Survey Results" dated May 4, 2010, with attachments:
 - Revised WIPO Evaluation Policy, dated May 4, 2010
 - Draft WIPO Independent Evaluation Guidelines, dated April 2010 *
 - WIPO Evaluation Policy, dated August 30, 2007
 - "IAOD Independent Evaluation Guidelines Survey Results: Summary"

ITEM 9: REVISION OF THE INTERNAL AUDIT CHARTER (IAC)

Memorandum from Mr. Treen to the Director General "WIPO Internal Audit Charter Revision", dated June 4, 2010, with attachments:

- "WIPO Internal Audit and Oversight Charter. Nick final draft 6" *
- Track changes version of "WIPO Internal Audit and Oversight Charter. Nick final draft 6" *
- Financial Regulations and Rules. Annex I. WIPO Internal Audit Charter

ITEM 10: INTERNAL CONTROLS

A. Internal Control Gap Assessment

IA/01/2010: "Review of Internal Control Review and Gap Assessment at WIPO", dated June 20, 2010, with covering Memorandum "Final Audit Report on the Internal Control Review and Gap Assessment at WIPO (IA/01/2010), from Mr. Treen to the Director General dated June 10, 2010

B. Internal Audit and Oversight Division (IAOD) Staffing and Progress Report

carried over from AC/16: "IAOD Quarterly Summary Report January-March 2010" and Transmittal Memorandum from Mr. Treen to the Director General, dated April 14, 2010.

C. IAOD Work Plans

carried over from AC/16: "Final Internal Audit Planning for the 2010/11 Biennium" and Transmittal Memorandum from Mr. Treen to the Director General, dated March 23, 2010

D. Follow-up on Implementation of Oversight Recommendations

- Office Instruction 16/2010: "Implementation of Oversight Recommendations. Reporting Procedures, Roles and Responsibilities", dated May 14, 2010
- Memorandum from Mr. Treen to the Director General "List of Outstanding Oversight Recommendations", dated June 14, 2010, with the following attachments:
 - "Status of Implementation of Oversight Recommendations as of June 14, 2010"
 - Excel Sheet "List of Oversight Recommendations June 2010"

E. Update on Investigations

- Memorandum from the Director General to Mr. Treen "IAOD Investigation Procedure Manual, dated April 21, 2010
- Memorandum from Mr. Treen to Mr. Roz "Details of Investigation Cases Requested by the Audit Committee", dated April 22, 2010. †
- Memorandum from the Director General to Mr. Treen "IAOD Quarterly Summary Report January - March 2010, dated April 23, 2010 (reference to Investigation Manual)
- Final Draft Investigation Procedure Manual (superseded), dated April 26, 2010, with covering memorandum from Mr. Treen to the Director General, dated April 30, 2010, and copy of "Uniform Guidelines for Investigators. 2nd Edition"
- Memorandum from Mr. Treen to the Director General, dated June 25, 2010, "IAOD Investigation Manual and Policy", with the following attachments:
 - Investigation Procedure Manual, dated July 2010
 - Draft WIPO Investigation Policy, dated July 2010
- IAOD Report INV/2008/07(NCP), with covering letter from the Director General to Mr. Roz, dated May 5, 2010. †
- "IAOD Investigation Section Costs" with covering memorandum from Mr. Treen to Mr. Roz, dated May 25, 2010. †
- "Memorandum from Mr. Treen to Mr. Roz, dated June 23, 2010 "Recommendations of the WIPO Audit Committee Sixteenth Meeting, Geneva, April 12-16. 2010" †

F. Internal Audit Reports

- *carried over from AC/16*: Document IA/04/2009: "Final Audit Report on the PCT Revenue Generation Process", and transmittal Memorandum, from Mr. Treen to the Director General, both dated November 4, 2009. (First issue: AC/15); and,
- *carried over from AC/16*: Document IA/06/2009: "Final Audit Report on the Revenue Generation Process for the Madrid and the Hague Systems", and transmittal Memorandum, from Mr. Treen to the Director General, both dated December 21, 2009.
- Document IA/03/2010: "Internal Audit Report. Follow Up Audit of IT Security and Access Controls", and transmittal Memorandum from Mr. Treen to the Director General dated June 10, 2010 †

ITEM 11: EXTERNAL AUDITOR

A. External Auditor Selection Process

- Letter from Mr. Roz to Mr. Favatier, dated May 18, 2010
- Letter from Mr. Favatier to Mr. Roz, dated June 3, 2010
- Letter from Mr. Roz to Mr. Favatier, dated June 18, 2010
- *Note Verbale* to WIPO Group Coordinators concerning Selection Panel, dated June 11, 2010

B. Meeting with External Auditor

- *carried over from AC/14*: Memorandum from Mr. Treen to the Director General, dated November 11, 2009 entitled "External Audit Report on the Evaluation of the Internal Audit Function in WIPO", with attachments:
 - "IAOD Comments/Action Plan on the External Audit Report of the Evaluation of the IA Function in WIPO", dated November 3, 2009, prepared by the Director, IAOD; and,
 - "Assessment of the Internal Audit Function. Report of the External Auditor to the WIPO General Assembly", dated August 11, 2009, prepared by the Swiss Federal Audit Office (English version and French original).
- *carried over from AC/16*: "The WIPO Oversight System. Cooperation and Allocation of Roles and Responsibilities between the Audit Committee and the External and Internal Auditors", prepared by Mr. Kurt Grüter, External Auditor, dated February 1, 2010; and,
- *carried over from AC/16*: "Cooperation and Allocation of Roles and Responsibilities between the External Auditor, the Internal Auditor and the WIPO Audit Committee", prepared by Mr. Pieter Zevenbergen, Audit Committee Member, transmitted April 7, 2010.

ITEM 12: NEW CONSTRUCTION PROJECTS

- Progress Report on the WIPO Construction Projects, dated June 28, 2010, issued for the Construction Committee by I. Boutillon (Secretary) **
- Progress Report by the Pilot, dated June 28, 2010 **
- WIPO Risk Register - updates No. 27, dated June 28, 2010 **
- Cashflow Projections for the New Construction Projects, dated July 6, 2010 ***

**ITEM 13: MEETING WITH REPRESENTATIVES OF WIPO MEMBER STATES;
FOLLOW-UP ON THE ASSESSMENT OF THE WORK AND OPERATIONS OF THE WIPO
AUDIT COMMITTEE**

No documents

[Annex III follows]

**Meeting with Representatives of WIPO Member States
July 9, 2010**

List of Participants

ANGOLA

Makiese KINKELA AUGUSTO, Third Secretary, Permanent Mission, Geneva

BANGLADESH

Faiyaz Murshid KAZI, First Secretary, Permanent Mission, Geneva

BELGIUM

Jean DE LANNOY, Second Secretary, Permanent Mission, Belgium

EGYPT

Mohamed GAD, First Secretary, Permanent Mission, Geneva

FRANCE

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

GERMANY

Heinjörg HERRMANN, Counselor, Permanent Mission, Geneva

Iliyana POPOVA, Intern, Permanent Mission, Geneva

INDIA

K. NANDINI (Mrs.), Counselor, Permanent Mission, Geneva

ITALY

Ranieri STEFANIELE, Permanent Mission, Geneva

MEXICO

José Ramón LÓPEZ, Second Secretary, Permanent Mission, Geneva

NEPAL

Devi Prasad Devi Prasad THAPALIYA, Intern, Permanent Mission, Geneva

OMAN

Fatima AL-GHAZALI, Minister Plenipotentiary, Permanent Mission, Geneva

SLOVENIA

Grega KUMER, Third Secretary, Permanent Mission, Geneva

SWITZERLAND

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

SYRIAN ARAB REPUBLIC

Souheila ABBAS (Ms.), First Secretary, Permanent Mission, Geneva

TUNISIA

Mohamed Abderraouf BDIQUI, Counsellor, Permanent Mission, Geneva

[End of Annex III and of document]

E

WIPO



WO/AC/16/2

ORIGINAL: English

DATE: May 14, 2010

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Sixteenth Meeting Geneva, April 12 to 16, 2010

REPORT

adopted by the WIPO Audit Committee

TABLE OF CONTENTS

	Paragraph(s)
Introduction	1
Agenda Items	
Item 1: Adoption of the Agenda	2
Item 2: Meeting with the Senior Management Team.....	3 to 9
Item 3: Internal Controls	10 to 36
A. Internal Audit and Oversight Division Staffing	11 to 14
B. Follow-up on Implementation of Oversight Recommendations	15 to 18
C. Update on Investigations	19 to 22
D. Internal Audit Reports	23 to 26
E. Work plans	27 to 29
F. Evaluation	30 to 36
Item 4: Meeting with the External Auditor	37 to 44
Item 5: International Public Sector Accounting Standards (IPSAS) and 2008/9 Accounts	45 to 48
Item 6: Enterprise Resource Planning (ERP)	49 & 50

WO/AC/16/2
page 2

Item 7: External Auditor Selection Process.....	51 to 57
Item 8: Strategic Realignment Program	58 to 67
A. Strategic Realignment Program Plan	60 to 64
B. Voluntary Separation Program	65 to 67
Item 9: New Construction Projects.....	68 to 71
Item 10: Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee	72 to 74
Item 11: Meeting with Representatives of WIPO Member States	75 to 82
Item 12: Other Matters	83 & 84

Annex I: Agenda Adopted by the Committee

Annex II: List of Documents

Annex III: List of Participants attending WIPO Audit Committee Meeting with
Representatives of Member State

Annex IV: “Cooperation and Allocation of Roles and Responsibilities between the
External Auditor, the Internal Auditor and the WIPO Audit Committee”

INTRODUCTION

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

AGENDA ITEM 1

ADOPTION OF THE AGENDA

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

AGENDA ITEM 2

MEETING WITH THE SENIOR MANAGEMENT TEAM

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

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

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

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

WO/AC/16/2
page 4

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

AGENDA ITEM 3

INTERNAL CONTROLS

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

Recommendation

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

Observations

16. The Committee took note of:

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

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

Recommendations

18. The Committee recommends that:

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

C. Update on Investigations

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

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

WO/AC/16/2
page 6

Observations

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

Recommendations

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

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

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

D. Internal Audit Reports

Travel and Mission Support in WIPO

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

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

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

Revenue Generation Processes in the PCT and Madrid and Hague Systems

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

E. Work plans

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

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

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

E. Evaluation

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

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

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

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

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

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

Recommendations

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

AGENDA ITEM 4

MEETING WITH THE EXTERNAL AUDITOR

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

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

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

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

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

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

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

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

AGENDA ITEM 5

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

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

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

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

48. The Committee took note that:

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

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

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

AGENDA ITEM 6

ENTERPRISE RESOURCE PLANNING (ERP)

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

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

AGENDA ITEM 7

EXTERNAL AUDITOR SELECTION PROCESS

51. Documents presented to the Committee are listed in Annex II
52. Information and explanations were provided orally to the Committee by Mr. Ambi Sundaram, Assistant Director General; Mr. Philippe Favatier, Chief Financial Officer (Controller); and, Mrs. Cook Robbins, Head, Finance Services.
53. The Committee took note that although it had received copies of correspondence sent to Member States, it had not yet been consulted by the Secretariat on the process itself nor on the timeline and the Committee's expected involvement. The Committee also noted that the Internal Audit and Oversight Division would be involved in the process, as indicated in the proposal submitted to Member States last September.
54. The Committee expressed concern that the timeline proposed to and approved by Member States in 2009 implied a completion of the selection process only three months before the assumption of duties of the new External Auditor on January 1, 2012. In the Committee's opinion, the transition period may be too short to ensure a proper transfer of knowledge from the current External Auditor and that it could require a major effort on the part of the new External Auditor to become acquainted with the Organization, in particular since it will have to certify the 2010/2011 biennium accounts.
55. The Committee advised the Secretariat that, in its view, the selection process was not one of procurement but of an appointment. Consequently, given WIPO's international status, financial evaluation should not be included in the selection criteria. The financial proposal itself, however, should be submitted to and reviewed by the Selection Committee to ensure consistency with the substantive parts of the proposal. As a consequence, the Call for Proposals may need to be modified under this item.
56. The Committee noted that it would receive the proposed evaluation criteria and the initial technical evaluation, both of which would be prepared by the Finance Section, for its review in April and August 2010, respectively. The Committee will need to consider whether it can adhere to such a timetable and will advise the Secretariat accordingly.

Recommendation

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

AGENDA ITEM 8

STRATEGIC REALIGNMENT PROGRAM

58. Documents presented to the Committee are listed in Annex II
59. The Committee met with Mr. Ambi Sundaram, Assistant Director General; Mr. Miguel Figuerola, Director, Human Resources Management Department; Mrs. Thérèse Dayer, Assistant Director, and Head, Social Security Section; and, Mrs. Chitra Narayanaswamy, Senior Advisor, Administration and Management Sector.
- A. Strategic Realignment Program Plan
60. A report on the progress of the Strategic Realignment Program (SRP) was presented by Mr. Sundaram. The Committee welcomed the report which included a roadmap for implementation of the SRP; the roadmap that had been requested by the Committee on several occasions in the past.
61. The Committee took note of:
- (a) The explanations provided by Mr. Sundaram that the roadmap was work in progress and had been completed in just three months.
 - (b) The structure of the SRP, which was based on four values, namely: Customer Service Orientation; Working as One; Accountability for Results; and, Environmental, Social and Governance Responsibility. Outcomes and outcome indicators were attached to each Value and eighteen initiatives had been identified to support outcomes. Each initiative was linked to one, many, or all of the Organization's Strategic Goals.
 - (c) The identification of the interdependencies between the initiatives, as well as assignment of specific responsibility of respective top management members, including the Director General himself, for delivery of each initiative in accordance with a timeline. In this connection, the Committee was advised that the Senior Management Team (SMT) members had signed a compact with the Director General up to the end of this year and that the overall accountability framework and the Strategic Medium Term Plan was still being developed.
 - (d) The integration of the initiatives, which would help to overcome the functioning of WIPO as a series of silos. The Committee was also apprised of the role of the Project Management Office (PMO), as well as ongoing work relating to Results-based Management (RBM) and the accountability framework. It was also informed that certain SRP-related initiatives, such as the initial restructuring following adoption of revised strategic goals, had already been completed, and that the SRP governance structure had not yet been fully established.
 - (e) All the initiatives, in particular those relating to the strengthening of RBM and the internal control system, the latter of which is under the Director General's direct responsibility.

WO/AC/16/2
page 14

- (f) The lack of information on costs, including for initiatives already completed. The Committee was informed that discussions at this stage had concentrated primarily on results and not resources and that those elements of the resource requirements which were already within the work plan were currently being reviewed by the Director General. Some projects such as the ERP were being planned and resource estimates will be prepared for the proposal being submitted to Member States. A significant component of the resources required were staff resources and the PMO along with the project leaders and SMT Champions would attempt to quantify resource requirements where these were not covered by existing work plan/budget or new project proposals. The Committee stressed that cost information should include initiatives that had already been completed and/or had already been budgeted for, in addition to those items to be budgeted, and possible financing sources. It also raised the issue of management training, a major shortcoming identified in PricewaterhouseCoopers' (PWC) Desk-to-Desk Review.
 - (g) The lack of information given to the Committee on the methodology followed for the now completed restructuring exercise, as referred to in 60(d) above, even though the Committee had been tasked to oversee that exercise as part of its follow up on the PWC's Desk-to-Desk Review and in line with a General Assembly decision that the Committee should oversee progress in the implementation of the SRP.
62. The Committee asked:
- (a) How progress could be measured; how the Committee could monitor that progress; and, how managers' accountability would be achieved. The Committee was informed that baselines would be established as part of the next steps to enable the measurement of results. The baseline would include two surveys – one related to customers and one related to staff. An internal controls survey had already been conducted as part of the internal control gap assessment conducted by IAOD, the results of which were expected soon.
 - (b) Whether all initiatives had already been planned and evaluated from a cost-effectiveness point of view.
 - (c) Whether the Organization had the resources, including skills and competencies that had been lacking in the Secretariat (and the impact of the VSP on this) to undertake the SRP. In this connection, the Committee recalled that, when the Organizational Improvement Program (OIP) had been launched in 2008, it had asked the same question in view of the tremendous work needed to implement such a Program.
63. The Committee repeated its previous requests for:
- (a) A staffing table showing all posts by grade per organizational unit and, separately, all temporary staff. It was agreed that such a baseline was critical for managing the Organization properly and monitoring any structural changes.
 - (b) A critical path analysis, which was required to identify, *inter alia*, mandatory and optional elements of the SRP.

WO/AC/16/2
page 15

Recommendation

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

B. Voluntary Separation Program

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

66. The Committee took note that:

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

Recommendation

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

AGENDA ITEM 9

NEW CONSTRUCTION PROJECTS

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

WO/AC/16/2
page 17

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

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

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

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

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

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

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

Item 11: Meeting with Representatives of WIPO Member States

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

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

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

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

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

WO/AC/16/2
page 19

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

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

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

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

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

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

Recommendations

82. The Committee recommends that:

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

WO/AC/16/2
page 20

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

AGENDA ITEM 12

OTHER MATTERS

A. Next Meeting of the WIPO Audit Committee

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

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

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

[Annex I follows]

WO/AC/16/2

ANNEX I

WIPO



WO/AC/16/2

ORIGINAL: English

DATE: April 12, 2010

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

E

WIPO AUDIT COMMITTEE

Sixteenth Meeting
Geneva, April 12 to 16, 2010

AGENDA

adopted by the WIPO Audit Committee

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

/...

WO/AC/16/2
Annex I, page 2

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

[Annex II follows]

WO/AC/16/2

ANNEX II

LIST OF DOCUMENTS

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

Item 1: Adoption of Agenda

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

Item 2: Meeting with Senior Management Team

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

Item 3: Internal Controls

Internal Gap Assessment Study

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

Agenda Items:

- A. Internal Audit and Oversight Division Staffing - no documents
- B. Follow-up on Implementation of Oversight Recommendations - no documents
- C. Update on Investigations
 - Memorandum "IAOD Investigation Section Annual Activity Report for 2009 and General Investigation Plan for 2010" from Nick Treen to Director General, dated Jan. 26, 2010;
 - Investigation Section Annual Activity Report, dated January 20, 2010;
 - Investigation Section General Investigation Plan for 2010, dated January 20, 2010;
 - *Memorandum "IAOD half yearly summary report on investigation cases as at March 25, 2010", from Nick Treen to Director General, dated March 25, 2010;*
 - *Memorandum "IAOD Half Yearly Summary Report on Investigation Cases as at March 25, 210", from Director General to Nick Treen, dated March 30, 2010; and*

WO/AC/16/2
Annex II, page 2

- Extract “Independence of Internal Oversight” from UN document A/64/288 Activities of the Independent Audit Advisory Committee for the period from 1 August 2008 to 31 July 2009”, dated August 25, 2009.

C. Internal Audit Reports

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

D. Work plans

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

E. Evaluation

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

WO/AC/16/2
Annex II, page 3

- Document EV/05/2009 2009 “Detailed Activity Report”, dated December 17, 2009.

Item 4: Meeting with the External Auditor

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

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

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

Item 6: Enterprise Resource Planning (ERP)

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

Item 7: External Auditor Selection Process

- WO/PBC/14/5 “Process for Selection of External Auditor” (WO/GA/38/15 “Process for Selection of External Auditor”);

WO/AC/16/2
Annex II, page 4

- WO/PBC/14/13 “Report” of the fourteenth session of the Program and Budget Committee;
- Extract WO/GA/38/20 “Report” of the General Assembly;
- Circular CN 3063 “Appointment of the External Auditor” dated December 15, 2009;
- Note Verbale dated March 11, 2010, on Selection Panel for External Auditor;
- *“External Auditor Selection Process”, dated March 29, 2010, prepared by Mr. Favatier and Ms. Cook Robbins;*
- *“Annex C. Call for Proposals for the Appointment of the External Auditor of WIPO”; and,*
- *Copies of Note verbales to the Permanent Missions of Sweden, Zambia, India, United Kingdom, Latvia, Malaysia, Norway, Pakistan, and Spain, dated March 30, 2010.*

Item 8: Strategic Realignment Program

A. Strategic Realignment Program

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

B. Voluntary Separation Program

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

Item 9: New Construction Projects

Progress Reports and Timetable

- *Progress Report by the Pilot, dated March 31, 2010*

WO/AC/16/2
Annex II, page 5

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

WIPO Construction Projects Charter

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

Contracts and Contracts Addenda

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

Risk Register

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

Cashflow

“Cashflow Projections” dated April 12, 2010.

Carbon Neutrality Project

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

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

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

[Annex III follows]

WO/AC/16/2

ANNEX III

Meeting with Representatives of WIPO Member States
April 16, 2010

List of Participants

ALGERIA

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

ANGOLA

Makiese KINKELA AUGUSTO, Third Secretary, Permanent Mission, Geneva

CHINA

WANG Xiaoying, First Secretary, Permanent Mission, Geneva

EGYPT

Mohamed GAD, First Secretary, Permanent Mission, Geneva

FRANCE

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

SLOVENIA

Andrej LOGAR, Ambassador, Permanent Mission, Geneva

Dušan VUJADINOVIČ, Counsellor, Permanent Mission, Geneva

SWITZERLAND

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

WO/AC/16/2
Annex III, page 2

THAILAND

Tanyarat MUNGKALARUNGSU, First Secretary, Permanent Mission, Geneva

TUNISIA

Mohamed Abderraouf BDIQUI, Counsellor, Permanent Mission, Geneva

[Annex III follows]

WO/AC/16/2

ANNEX IV

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

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

Introduction

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

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

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

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

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

WO/AC/16/2
Annex IV, page 4

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

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

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

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

2. Openness and Transparency of Administration Actions

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

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

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

3. Promoting Good Governance

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

WO/AC/16/2
Annex IV, page 5

4. Oversight

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

5. Insight

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

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

6. Foresight

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

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

7. Code of Conduct

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

8. Objectivity, Integrity and Honesty

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

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

WO/AC/16/2
Annex IV, page 6

9. From Accountability to Good Governance

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

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

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

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

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

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

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

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

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

WO/AC/16/2
Annex IV, page 7

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

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

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

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

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

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

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

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

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

This means seeking to ascertain whether:

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

11. Effective Audit Work

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

WO/AC/16/2
Annex IV, page 8

Conclusion

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

[End Annex IV and of document]

WIPO



WO/AC/15/2

ORIGINAL: English

DATE: December 23, 2009

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Fifteenth Meeting

Geneva, November 30 to December 4, 2009

REPORT

adopted by the WIPO Audit Committee

TABLE OF CONTENTS

	Paragraph(s)
Introduction	1
Agenda Items	
Item 1: Adoption of the Agenda	2
Item 2: Organization of the Work of the WIPO Audit Committee and its Functioning.....	3 to 6
A. Tripartite Meeting, September 3, 2009.....	3
B. Meeting with the Director General, October 22, 2009	4
C. Letters from the Director General on Financial Disclosure/Declaration of Interest.....	5
D. WIPO Audit Committee Rules of Procedure	6
Item 3: Update on the Strategic Realignment Program.....	7 to 30
A. Letter from the Director General	9 to 19
B. Voluntary Separation Program	20 to 23
C. Revision of Staff Regulations and Rules	24 to 26
D. Ethics and Integrity	27 to 30

WO/AC/15/2
page 2

Item 4: Internal Control:	31 to 62
A. Internal Audit Reports	33 to 38
B. Validation of the Program Performance Report	39 to 43
C. External Audit Report on the Internal Audit Function	44 to 50
D. Follow-up on Implementation of Oversight Recommendations	51 to 55
E. Investigation.....	56 to 62
Item 5: International Public Sector Accounting Standards (IPSAS).....	63 to 66
Item 6: New Construction Projects.....	67 to 71
Item 7: Meeting with the United Nations Independent Audit Advisory Committee	72 to 79
Item 8: Follow-up on the Assessment of the Work and Operations of & the WIPO Audit Committee and Meeting with Representatives	
Item 9: of WIPO Member States	80 to 105
Item 10: Election of Chair and Vice Chair	106 & 107
Item 11: Other Matters.....	108 to 110
A. Process for the Selection of the External Auditor	108
B. Next Meeting of the WIPO Audit Committee	109 & 110
Annex I: Agenda Adopted by the Committee	
Annex II: WIPO Audit Committee Rules of Procedure	
Annex III: List of Documents	
Annex IV: List of Participants attending WIPO Audit Committee Meeting with Representatives of Member State	
Annex V: Extract “IX. The Secretary of the Committee” from the Rules of Procedure of the United Nations Independent Audit Advisory Committee (UN IAAC)	

INTRODUCTION

1. The fifteenth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from November 30 to December 1, 2009. Present were Messrs. Pieter Zevenbergen (Chair), George Haddad (Vice Chair), Geoffrey Drage, Gong Yalin, Akuetey Johnson, Akeem Oladele, Khalil Issa Othman, Igor Shcherbak and Gian Piero Roz.

AGENDA ITEM 1

ADOPTION OF THE AGENDA

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

AGENDA ITEM 2

ORGANIZATION OF THE WORK OF THE AUDIT COMMITTEE AND ITS FUNCTIONING

A. Tripartite Meeting, September 3, 2009

3. On September 3, 2009, a tripartite meeting was held at WIPO Headquarters between Mr. Francis Gurry, Director General, Mr. Kürt Grüter, External Auditor, Mr. Nick Treen, Director, Internal Audit and Oversight Division, and Mr. Pieter Zevenbergen, Chair of the Committee. The Committee took note of the draft record of that meeting prepared by the Director General and of the Chair’s communication to Audit Committee members. The Chair of the Committee will contact the External Auditor with a view to having the Committee’s input on the External Auditor’s proposed paper containing definitions of the respective roles of the External Auditor, the Internal Audit and Oversight Division, and the Committee, as well as suggestions and proposals to improve cooperation and information exchange between the three audit and oversight functions.

B. Meeting with the Director General, October 22, 2009

4. On October 22, 2009, a meeting took place at WIPO Headquarters between Mr. Francis Gurry, Director General, Mr. Naresh Prasad, Executive Director and Chief of Staff, Mr. Philippe Favatier, Chief Financial Officer (Controller), Mrs. Chitra Narayanswamy, Senior Advisor, Office of the Director General, Mr. Pieter Zevenbergen, Chair of the Committee and Mr. Gian Piero Roz, Committee member. The Committee took note of a record of that meeting prepared by Mr. Roz.

C. Letter from the Director General on Financial Disclosure/Declaration of Interest

5. The Committee took note of two letters from the Director General, dated June 19, 2009, and October 1, 2009, concerning the Committee’s comments on working document WO/CC/61/4 “Financial Disclosure/Declaration of Interest”. The Committee reverted to this

WO/AC/15/2
page 4

subject within the framework of the review of Ethics and Integrity policies (see paragraphs 28 to 30).

D. WIPO Audit Committee Rules of Procedure

6. The Committee adopted Rules of Procedure, which are based on the Rules of Procedure of the United Nations Independent Audit Advisory Committee. The Committee's Rules of Procedure came into effect on December 3, 2009, and are attached to this Report as Annex II.

AGENDA ITEM 3

**UPDATE ON THE
STRATEGIC REALIGNMENT PROGRAM**

7. The documents presented to the Committee under this Item appear in Annex III of this report.

8. The Committee met with three officials from the Human Resources Management Department concerning the Voluntary Separation Program and the Revision of the Staff Regulations and Rules, namely: Mr. Miguel Figuerola, Director, Mr. Arneberg, Deputy Director, and Mrs. Lise Ezana, Head, Human Resources Administrative Section. Mr. Edward Kwakwa, Legal Counsel, also attended for the discussion on the review of Ethics and Integrity policies.

A. Review of the Letter of the Director General

9. The Committee welcomed the confirmation by the Director General that the new Senior Management Team would assume their duties as of December 1, 2009.

10. The Committee looked forward to fruitful cooperation with the new Team, in particular on the Strategic Realignment Program (SRP), where the Team would play a central role in shaping its future development and implementation.

11. The Committee looked forward to working with Mr. Ramanathan Ambi Sundaram, Assistant Director General, Administration and Management Sector who, for the first time in the history of WIPO, would be responsible for both administrative and management services of the Organization, and who had been designated by the Director General to be the interface between the Organization and the Committee.

12. The Committee recalled that at its twelfth meeting (March 2009),¹ it had been agreed with the Director General that progress reports on the SRP would be submitted to the Committee twice a year starting from June 2009. It had also been agreed that "specific items requiring the urgent review of the Committee within the framework of its mandate may be reviewed outside of this reporting cycle".

¹ WO/AC/12/2, paragraph 9

WO/AC/15/2
page 5

13. The Committee had been briefed on the SRP by the Director General and senior WIPO officials at its March, June and August 2009 meetings, mostly on specific projects. The report received in November 2009 consisted of a letter listing the main initiatives undertaken for the initial review of the WIPO Strategic Framework and subsequently under the three streams of the SRP.

14. The Committee welcomed the information provided, which supplemented briefings on and review of individual administrative related activities at its previous meetings. It appreciated, in particular, information on initiatives undertaken in WIPO's substantive areas which, although outside the scope and competencies of the Committee *per se*, did help Committee members to better situate the areas it is mandated to oversee within the overall context of intellectual property. The Committee felt that such information was extremely useful and would welcome being kept informed of such initiatives and progress, at a high level, for future meetings.

15. However, the Committee noted that its recommendations for a comprehensive integrated plan and a road map for implementation (of the SRP), showing on a common timeline the interrelationships of the component modules and the organization and resourcing requirements, had still to be complied with. Such a plan was initially recommended by the Committee in September 2007² for the Organizational Improvement Program, following the conclusion of the Desk-to-Desk review, and the Committee's recommendation was endorsed by the General Assembly (GA) at its thirty-fourth session.³ The GA decision was confirmed by the Program and Budget Committee and the GA, in 2008, as being applicable to the SRP.⁴

16. Consequently, the Committee did not consider the information provided sufficient enough to monitor and assess action taken by the Secretariat. The Committee further considered that a comprehensive integrated plan and road map, at a high level, could have facilitated the planning work and understanding of the process by the new Senior Management Team. It also considered that such a plan and road map would be extremely useful in facilitating the functioning of the Organization as a single entity rather than as a series of silos.

17. The Committee took note of the statement by the Director General that an "Organization-wide comprehensive inventory of all current and planned initiatives and projects, indicating responsibilities and tentative timelines" would be submitted to the Committee at its 2010 Spring session, by which time the transitional phase following the taking up of duties by the new Senior Management Team would be complete.

18. The Committee expects that such an inventory will be prepared on a SMART C⁵ basis; will include a risk assessment for each initiative with an indication of how each risk will be mitigated; and, will also link the initiatives to the nine goals of the new WIPO Strategic Framework.

19. The Committee noted from the letter that "the initial structural and staffing review of more than 70% of the Organizational units" had been "completed, with the changes effected

² WO/AC/6/2, paragraph 24

³ WO/GA/34/16, paragraph 34

⁴ A/46/12, paragraphs 48 to 50

⁵ Specific, Measurable, Attainable, Realistic, Timely and Consistent

through a series of Office Instructions on reorganization”. Such a review seemed to be in line with the recommendations made by the Joint Inspection Unit in 2005⁶ and the outcome of PricewaterhouseCoopers’ Desk-to-Desk Assessment. However, to date, no information has been provided to the Committee on the methodology and outcome of that review. The Committee expects to be fully briefed on this exercise at its next meeting in April 2010.

B. Voluntary Separation Program

20. The Committee welcomed the progress report on the Voluntary Separation Program (VSP) presented by the Director, Human Management Resources Division (HRMD). The Committee recalled that the Coordination Committee had requested the Committee to oversee that Program.⁷ Due to the timing of the Program and the schedule and frequency of Committee meetings, it will only be able to conduct a *post facto* review of the implementation of the Program.⁸

21. Information was provided on the total number of applicants, and by nationality, gender, age, grade category, scheme type and average years of service. The Committee was also informed of the process followed by the Evaluation Group and on the extensive information provided to interested staff.

22. The Committee noted that:

- (a) information had not been provided on the current estimated financial impact of the Program, based on the number of applications received and the number already accepted, nor on the impact of such expenditures on the provisions for employee benefits that are being created to cover the liabilities of the Organization regarding accrued rights of staff for separation purposes. The Committee expects to receive this information at its next meeting in April 2010;
- (b) the number of applications received had exceeded that expected;
- (c) almost half of the applications had been reviewed, and the review process was based on the requested separation date;
- (d) to better assess the impact of the Program, it would be useful to relate the number of applications submitted by category to the total number of staff per category and organizational unit; and,
- (e) there did not seem to be any linkage between “the initial structural and staffing review” referred to in the Director General’s letter of September 14, 2009, and the criteria being used to evaluate the applications for the VSP.

23. The Committee expects an update on the Program at its next meeting.

⁶ JIU/REP/2005/1

⁷ WO/CC/61/6

⁸ WO/AC/14/2 para b

WO/AC/15/2
page 7

C. Revision of the Staff Regulations and Rules

24. The Director, HRMD, made an oral progress report on the revision of the Staff Regulations and Rules (SRR). He informed the Committee that the main concern of staff related to the rights they would retain under the new contractual arrangements.

25. The Committee was informed that HRMD is currently undertaking an inventory of all activities required for completing the SRR revision and implementation, including the development of an administrative manual which, encompassing all administrative areas, will require complex coordination within the Administrative and Management Sector. It was further informed that the activities related to this project will take two to three years to complete and will require additional resources not currently available in HRMD both in terms of number and skill sets.

26. The Committee noted with satisfaction that its recommendation⁹ that information on this project be widely disseminated to staff had been implemented, and that two town hall meetings had taken place.

Recommendation

27. The Committee recommends that, as indicated in the report of its fourteenth meeting,¹⁰ HRMD's plan should be prepared on a SMART C basis,¹¹ and include a risk register with an indication of measures to be taken to mitigate risks, as well an estimate of resources required to complete the project, both in term of numbers, costs and skill sets. The plan should be submitted to the Committee for its next meeting in April 2010.

D. Ethics and Integrity

28. The Committee took note of two letters from the Director General responding to comments made by the Committee, at his request, on the draft Financial Disclosure scheme, and informing the Committee of the issue of a related Office Instruction in September 2009.¹²

29. The Committee was informed by the Legal Counsel that some 15 Declaration of Interest forms had been received and that the sealed envelopes would be transmitted to the Ethics Officer as soon as the Ethics Office was established. The Committee was further informed that no further developments had taken place following a study undertaken by a consultant for the Internal Audit and Oversight Division, which was completed early 2009, pending the creation of the Ethics Officer function in WIPO.

30. The Committee will continue to monitor the development of ethics and integrity policies within WIPO very closely and expects to meet with the Ethics Officer at its next meeting in April 2010.

⁹ WO/AC/14/2 para 11

¹⁰ WO/AC/14/2 paras 9 (a) and 10

¹¹ Specific, Measurable, Attainable, Realistic, Timely and Consistent

¹² Office Instruction 57/2009

AGENDA ITEM 4

INTERNAL CONTROL

31. The documents presented to the Committee under this Item appear in Annex III of this report.
32. Information and explanations were provided to the Committee, for their respective fields of responsibility, by: Mr. Philippe Favatier, Chief Financial Officer (Controller), Department of Finance, Budget and Program Management, General Affairs and Administration Sector; Mr. Miguel Figuerola, Director, Human Resources Management Division; Mr. Wei Lei, Chief Information Officer, Information and Communication Technology Department; Mrs. Janice Cook Robbins, Head, Finance Services, Department of Finance, Budget and Program Management, General Affairs and Administration Sector; Mr. Tuncay Efendioglu, Senior Internal Auditor, Internal Audit and Oversight Division (IAOD); Mrs. Neila Krifi, Head, Travel and Missions Support Section, Procurement and Travel Division, General Affairs and Administration Sector; Mrs. Julia del Carmen Flore Marfetan, Senior Evaluation Officer, Internal Audit and Oversight Division (IAOD); Mrs. Dominique Vesin, Senior Administrative Assistant, Human Resources Administrative Section; and, Mrs. Natalia Gorokhova, Consultant, Flexitime Group, Human Resources Administrative Section.

A. Internal Audit Reports

33. The internal audit reports “Audit of Payroll in WIPO” and “Audit of Travel and Mission Support in WIPO” had been reviewed by the Committee at prior meetings¹³ and the Committee had found them useful with relevant recommendations. Concerned by the findings, the Committee had requested to meet with all relevant officials.
34. In addition to its observations made at its twelfth and fourteenth meetings, the Committee noted that:
- (a) the new Director General had issued a series of Office Instructions and internal directives to contain travel costs. Some measures had been approved, as required, by the Coordination Committee with consequent changes in the Staff Regulations and Rules;
 - (b) the Director, HRMD, had refused to authorize overtime payments in excess of the maximum number of hours established by the Staff Regulations and Rules;
 - (c) both audit reports concern horizontal processes with actions under the responsibility of different services within the Administration and Management Sector as well as being the responsibility of the Program Managers themselves. Overall it was clear there had been inadequate accountability;

¹³ The “Audit of Travel and Mission Support in WIPO” was reviewed at the Committee’s twelfth and fourteenth meetings, and “Audit of Payroll in WIPO” at its fourteenth meeting.

WO/AC/15/2
page 9

- (d) despite the fact that the payroll and travel audit reports had been issued more than eight and four months ago respectively, no consolidated action plan had been prepared to address the identified shortcomings;
- (e) reorganization, the absence of the Assistant Director General, and vacancies in key positions such as that of Director, HRMD, had impacted on the work of the Administration and Management Sector, possibly delaying consideration of the reports;
- (f) travel rules and, in particular, related Office Instructions were vague and incomplete, which may make it difficult for staff to interpret them;
- (g) overtime related rules concerning compensatory time may not be applicable depending on the type of work;
- (h) the main responsibility for correct implementation of travel and overtime regulations and rules, and the majority of the issues identified in the audit reports rested with Program Managers; and,
- (i) the payroll audit report concerned primarily management of overtime and flexitime rather than the actual payroll itself.

35. The Committee considered that the consolidation of all administrative organizational units under a single Assistant Director General for administration and management would facilitate the resolution of issues arising in horizontal processes such as travel and overtime.

36. The Committee will meet with the Director, Procurement and Travel Division, at its next meeting in April 2010, regarding a possible revision of the travel regulations, rules and procedures.

Recommendations

37. The Committee recommends that:

- (a) the new Assistant Director General for Administration and Management considers appointing one individual manager each within his sector as responsible Officer for both the travel and overtime processes respectively to ensure continuous and effective coordination of the processes themselves;
- (b) consolidated plans be made by the Administration and Management Sector for the coordinated implementation of the audit recommendations;
- (c) controls related to home leave combined with official missions and to official missions to home countries be strengthened and, if necessary, the rules and procedures be modified and notified to managers and staff; and,
- (d) a briefing for Program Managers be organized urgently regarding travel and overtime to ensure that they are fully informed of the applicable regulations and rules, and of the fact that they are accountable for the use of the resources assigned to them in these areas.

WO/AC/15/2
page 10

38. The Committee took note of the “Final Audit Report on the PCT Revenue Generation Process”. This report will be on the Agenda of the next Committee meeting in April 2010, with responsible WIPO managers and staff members being invited to attend the meeting to update the Committee on the implementation of the report’s recommendations.

B. Validation of the Program Performance Report

39. In the absence of Mr. Nick Treen, Director, Internal Audit and Oversight Division (IAOD), due to hospitalization, the Committee was briefed by Mrs. Julia del Carmen Flore Marfetan, Senior Evaluation Officer, IAOD.

40. The Committee noted that the validation exercise was limited in its scope and coverage and, as such, had limited usefulness for providing stakeholders with a reasonable assurance that the reported deliveries contained in the 2008 Program Performance Report had actually been delivered.

41. Notwithstanding the above limitation, the Committee noted that the validation report had provided an assessment of the quality of the data needed and the information requirements for validating the results achieved. That information relates to the clarity of the definition of the terms, the objectives and expected results, and the linkages between them and the activities undertaken, as well as the relevance and measurability of the performance indicators selected.

42. The Committee was of the view that the findings and conclusions of the validation report could prove helpful for improving the program formulation and the reporting of program performance.

Recommendation

43. The Committee recommends that the findings of the validation report be brought to the attention of Program Managers, particularly the aspects that relate to the quality of the data and information required for validation purposes.

C. External Audit Report on the Assessment of the Internal Audit Function

44. The Committee took note of the report of the External Auditor, the Swiss Federal Audit Office, as finalized on July 31, 2009.

45. The internal audit function of WIPO was assessed in accordance with WIPO’s Financial Regulations and Rules, and with the International Standards for the Professional Practice of Internal Auditing. It was carried out to clarify compliance with international standards and not in terms of content and related areas.

46. The Committee noted that the assessment seemed to have ignored the many recommendations made by the Committee concerning the internal audit function, as the report contained no reference to them.

47. The report highlighted the potential to improve the audit provision, at a formal level, in relation to each of the standards in order to meet the required conditions although the overall percentage of standards is already just above 80%.

WO/AC/15/2
page 11

48. The Committee endorsed the External Auditor's recommendations and wished to underline the recommendation that the audit plan be linked to an evaluation of risks faced by WIPO.

49. The Committee further wished to underline the need to finalize the audit manual and post it on the Intranet in order to raise the visibility of the Division and to facilitate communication between auditor and auditee.

Recommendation

50. The Committee recommends that IAOD finalize, as soon as possible, the 2010/11 workplan, based on an assessment of risks and, as far as possible, on the implementation of the outcome of the assessment.

D. Status of Implementation of Oversight Recommendations

51. In the absence of the Director of the Internal Audit and Oversight Division (IAOD), due to hospitalization, the Committee was briefed by Mr. Tuncay Efendioglu, Senior Internal Auditor, IAOD.

52. The Committee was informed that the development of a Microsoft Access database for oversight recommendations had not been completed due to urgent work priorities in the IT Division. The Committee was further informed that finalization of this part of the project is foreseen for the end of February 2010.

53. The Committee underlined that the development of such a database for the long list of outstanding recommendations should facilitate communication with responsible managers. It noted, however, that the IT approach would need to be supplemented by an Office Instruction highlighting the responsibility and accountability of managers for implementing oversight recommendations. This dual approach would facilitate a reduction in the number of outstanding recommendations.

54. The Committee decided that it would itself review the Committee's own outstanding recommendations in order to reduce the number of outstanding recommendations and prioritize them.

Recommendation

55. The Committee recommends that IAOD undertake grouping and prioritization of the outstanding recommendations for review by the Committee at its next meeting in April 2010.

E. Investigations

56. The Committee reviewed the IAOD Quarterly Summary Report for the period July-September 2009. In the absence of the Director of IAOD, it took note of the information contained therein but could not review it in detail.

57. The Committee noted that most investigation cases had not been completed in the July-September period.

WO/AC/15/2
page 12

58. The Committee also noted that some investigation cases would be completed by the end of the year.

59. The Committee was informed that the Investigation Manual was not ready yet and that an external consultant had been recruited to prepare a draft version.

60. The Committee expects the draft Investigation Manual to be ready in time for the Committee's review at its next meeting in April 2010, and would welcome the involvement of the Office of the Legal Counsel and the Human Management Resources Department in this respect.

Recommendations

61. In line with observations and recommendations made at its fourth, twelfth, thirteenth and fourteenth meetings,¹⁴ the Committee recommends that the Investigation Manual be finalized and that the Manual be tabled with a draft Investigation Policy.

62. The Committee further recommends finalization of investigation cases, to be reflected in the 2009 Investigation Annual Report, and expects to receive the 2009 Report in time for its next meeting in April 2010.

AGENDA ITEM 5

**INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARDS (IPSAS)**

63. Information and explanations were provided to the Committee by Mr. Philippe Favatier, Chief Financial Officer (Controller) and Mrs. Janice Cook Robbins, Head, Finance Services, Department of Finance, Budget and Program Management, General Affairs and Administration Sector. The Committee noted the contents of the letter sent by Mr. Favatier in response to the comments made by Committee in its fourteenth report.

64. The Committee was given a presentation on the state of progress in implementing IPSAS.

65. The Committee was encouraged to learn that the IPSAS project was still on track for implementation in 2010. It was noted *inter alia* that:

- (a) Discussions were in progress with the External Auditor regarding compliance of WIPO's internal accounting policies with IPSAS, most particularly in connection with the treatment of PCT income. The Committee was advised that it was currently considered that such income would not now be recognized as revenue in the accounts until the date of publication of the patent some 18 months after the application fee was paid. In effect this means that the cash received from each applicant is held as a prepayment creditor until the date when the applicant's

¹⁴ Documents WO/AC/4/2, paragraph 13(c), WO/AC/12/2, paragraphs 15 and 19(c), WO/AC/13, paragraph 19(b) and WO/AC/14/2, paragraphs 26 to 30, and 40(a).

WO/AC/15/2
page 13

patent is published at which point the case is treated as income. According to the IPSAS policy, the first year of accounts under IPSAS would accordingly show a material revenue reduction and a corresponding increase in liabilities. There was a much more modest reduction under the Madrid system where the income deferral was expected to be about 30 days. There was also discussion with the External Auditor as to whether component analysis would be required concerning the valuation of existing buildings. If the External Auditor insists that a “component approach” is required, the Organization will ask a valuer to determine whether it is indeed feasible to value the WIPO building by component parts. If feasible, this could mean that the various components will be accorded individual useful lives which could therefore increase the annual depreciation charge (if, for example, the structure of a building has a useful life of 50 years but the elevators had a life of only 35 years). The Committee was informed that it was currently expected that the net effect of IPSAS accounting would be a reduction in WIPO’s reserves of CHF21 million.

- (b) No change was currently planned for the accounting basis of the biennial program and budget other than to split it into its constituent two twelve month components. The Committee was advised that under IPSAS, annual financial statements were required which would have to disclose a statement of reconciliation with the budget for the year under review. The Committee emphasized that biennial accounts would have to be related to the approved Program and Budget to facilitate the review by Members States of the work undertaken by the Secretariat.
- (c) No immediate change was envisaged to the Program Performance Report as a result of introducing IPSAS. The Committee was advised however that linking the Program Performance Report with annual accounts could be considered for the 2012/13 biennium. To this effect, the activity codes available in the chart of accounts could be used. The Committee will revert to this subject at its next meeting.
- (d) The Committee was advised that the key risks relating to the IPSAS implementation were in the establishment of a reliable and comprehensive asset register and satisfying the External Auditor that the new accounting policies duly complied with IPSAS requirements. With regard to the new assets register, the Committee was informed that any delay in its establishment could be mitigated by parallel running with the existing system. As to compliance of accounting policies with IPSAS requirements, discussions with the External Auditor were at an advanced stage.
- (e) The Committee was also informed that the IPSAS Board, which comprises two UN system observers, is still in the process of developing new standards.
- (f) The Committee further noted that additional data will be required to be fed into the AIMS financial system from other systems. The Committee considered that this may constitute a major risk and would like to be briefed on the subject at its next meeting.

66. The Committee expects to be updated further on IPSAS implementation progress at its sixteenth meeting in April 2010.

AGENDA ITEM 6

NEW CONSTRUCTION PROJECTS

67. The documents presented to the Committee under this Item appear in Annex III of this report.
68. Information and explanations were provided orally to the Committee by Ms. Boutillon, Secretary, Construction Committee; Mr. Alfio Favero, Consultant, New Construction Projects Section, Buildings Division, General Affairs and Administration Sector; and, Mr. Jean-Daniel Fehr, Project Director General, Burckhardt+Partner SA (“the Pilot”).
69. The Committee was updated by the Secretariat and the Pilot on the New Construction Projects.
70. The Committee noted, *inter alia*, that:
- (a) There had been a recent request by the city fire and safety authorities to change the specification for dividing walls for offices and fire curtains, despite WIPO having obtained full and detailed planning consents in 2007. Whereas the completion date for the new office building was scheduled for October 8, 2010, the General Contractor had indicated there could be a minor delay to the completion date due to this new requirement. Discussions were still underway with the local authorities. Discussions were also in progress between the Pilot and the General Contractor to see how this delay risk could be mitigated, the outcome of which was expected to be classified on or before February 15, 2010.
 - (b) There had only been minor utilization of the provision for unforeseen circumstances for storage on level -4 and UN H-MOSS requirements and out of the original CHF7.8 million provision, there remained CHF6.6 million to cover the remaining 12 months of construction. To put that in context, there remained outstanding budgeted expenditure on the new office building of approximately CHF40 million.
 - (c) Taking occupation of the new office building when complete was itself anticipated to be a substantial and complex task. This was expected to take about 3 months and would involve moving approximately 500 people from facilities in the Procter & Gamble and the CAM buildings, as well as moving storage from a building on the outskirts of Geneva. Prior to this move some final changes will be required to office partitioning. In addition, all furniture and IT/telephony/security services have to be fully installed and storage facilities completed. Plans are being made to vacate the rented facilities by mid-2011, subject to the provisions of the lease agreements.
 - (d) Following the approval of the New Conference Hall project by Member States at the WIPO Assemblies in September, applications for building permits for the New Conference Hall and the new access centre were submitted in October and all being well, consents were expected in March 2010. Calls for expressions of interest for a general contractor for the New Conference Hall had been issued and the closing date extended to December 14, 2009. It was expected that expressions

WO/AC/15/2
page 15

of interest would be evaluated and passed to the Selection Board by the end of February or early March 2010 to be followed by pre-selection of contractors and issue to them of tender documents in June with final selection in November 2010.

71. The Committee requested to be further informed on progress on the construction projects at its next meeting in April 2010 and in this connection requested:

- (a) an updated Construction Charter taking into account changes in the senior management team;
- (b) updated plans and risk registers from both WIPO and the Pilot, to include the New Conference Hall Project and the move of staff to the new building;
- (c) consolidated cashflow projections, including the New Conference Hall Project; and,
- (d) assurances that strict information security measures have been taken to ensure the full confidentiality of the procedures for the selection of the contractor, and confirmation that contracting for all aspects of the New Conference Hall Project complies with UN procurement standards and WIPO rules.

AGENDA ITEM 7

MEETING WITH THE UNITED NATIONS INDEPENDENT AUDIT ADVISORY COMMITTEE

72. On December 2, the Committee met with the United Nations Independent Audit Advisory Committee (UN IAAC) in Geneva, and exchanged views on their respective terms of reference and mandate.

73. It was observed that, among the Audit Committees existing in the UN system, only those of the UN IAAC, the International Fund for Agricultural Development (IFAD) and the WIPO Audit Committee meet the essential acknowledged international requirements and functions of an audit committee in the sense that their members were elected by Member States and report to them, and that the external and independent nature of the committees was recognized.

74. It was further observed that the WIPO Audit Committee and the IFAD Audit Committee have nine members, whereas the UN IAAC has five.

75. The WIPO Audit Committee was advised by the IAAC Chair of the strategic role played by the dedicated Executive Secretary for the functioning and operations of the Committee itself. (See also paragraph 105 below).

76. Both the UN IAAC and the IFAD Audit Committee are subsidiary organs of the United Nations General Assembly and the IFAD Executive Board, respectively, whereas the WIPO Audit Committee is not yet charged as such.

WO/AC/15/2
page 16

77. The scope of the two Committees is different. As stated by the Chairperson of the UN IAAC, its scope is limited to the UN Office of Internal Oversight Services and, more recently, to corporate risk management. The WIPO Audit Committee has a wider scope more in line with the functions normally entrusted to Audit Committees.

78. Both Committees stressed the importance of the operational independence of the internal audit functions in their respective organizations. The UN IAAC recently issued a definition of “independence”, which will be carefully considered by the WIPO Audit Committee at its next meeting in Spring 2010 for a possible recommendation that such a definition be inserted into the WIPO Internal Audit Charter.

79. The UN IAAC appreciated the Report on the Assessment of the Work and Operations of the WIPO Audit Committee, which may be useful for the UN IAAC’s assessment exercise to take place in 2010.

AGENDA ITEMS 8 AND 9

FOLLOW-UP ON THE REPORT ON THE ASSESSMENT OF THE WIPO AUDIT COMMITTEE; MEETING WITH REPRESENTATIVES OF WIPO MEMBER STATES

Background

80. As a follow up on the Assessment Report, the Committee was briefed on the proceedings and outcome of the fourteenth session of the Program and Budget Committee (September 14 to 16, 2009) and the forty-seventh series of meetings of the Assemblies of the Member States of WIPO (September 21 to October 1, 2009).

81. The Agenda of the Program and Budget Committee (PBC) included two items related to the Committee:

“7: Report of the Chair of the WIPO Audit Committee (oral presentation)

8: Composition of the WIPO Audit Committee. Presentation by the Chair [of the Program and Budget Committee]”¹⁵

82. The Agenda of the WIPO Assemblies included one item related to the Committee:

“9: Report of the WIPO Audit Committee Since 2008; Composition of the WIPO Audit Committee”

with reference to documents WO/GA/38/2 (WIPO Audit Committee Assessment Report) and WO/GA/38/16 (Composition of the WIPO Audit Committee).¹⁶

¹⁵ WO/PBC/14/1 Prov.

¹⁶ A/47/1, page 7

WO/AC/15/2
page 17

83. The outcome of the General Assembly (GA) on those items was the following:

“The General Assembly decided to:

- (i) renew the mandate of all members of the Audit Committee until January 2011;
- (ii) review the process of the rotation and the size of the Audit Committee with a view to agreeing on the relevant changes at its 2010 session;
- (iii) review the recommendations made by the Audit Committee for implementation as appropriate; and,
- (iv) establish a Working Group for the purpose of (ii) and (iii) above, composed of seven (7) group coordinators, interested Member States, the bureau of the PBC and the Chair of the Audit Committee (or the Vice-Chair, in his absence). The Working Group will submit its recommendation to the next session of the PBC (in 2010) to enable Member States to select the new members of the Audit Committee by December 2010.”¹⁷

Observations

84. The Committee noted that:

- (a) The Committee’s Assessment report was not recognized as a PBC document, but as a GA document due to the coding of the document by the Secretariat. The Committee’s reports of its twelfth and thirteenth meetings were not included as part of the Agenda of the PBC, the Agenda item having been classified as an oral presentation with no reference to the documents themselves.
- (b) The Committee had not at that time finalized the report of its fourteenth meeting held in August and this was the subject of an oral presentation.
- (c) There was very little time made available for the PBC to consider the Audit Committee’s report. Member States did note that, in future, the PBC will have to rationalize its time in a more equitable manner when dealing with items before it.
- (d) The PBC was unable to reach a recommendation during its session and the PBC Chair left this for WIPO Group Coordinators to negotiate. The outcome was reflected in Document A/47/15, under Items 7 and 8: “Summary of Recommendations Made by the Program and Budget Committee at its Fourteenth Session held from September 14 to 16, 2009”.
- (e) With regard to the GA, the Committee representatives drew the GA’s attention to the fact that document WO/GA/38/2 on the Assessment report:
 - (i) did not contain the first three pages of the Assessment report, which included the information that the report had been carried out by the Audit Committee itself; and,

¹⁷ Document WO/GA/38/16, paragraph 30

WO/AC/15/2
page 18

- (ii) in the decision paragraph of document WO/GA/38/2, the GA was “invited to take note of the contents of the ‘Assessment of the Work and Operations of the WIPO Audit Committee’ and its recommendations indicated in paragraphs 72, 74 and 76 of this Annex”.

85. The Committee representatives drew the attention of the Secretariat to the first omission. A corrigendum was issued.

86. The representatives also drew the attention of the GA and the Secretariat to the fact that the PBC and GA do not simply “take note” of the Audit Committee’s reports and recommendations but act upon them. They also asked the Legal Counsel to pronounce himself on the matter.

87. Despite the above, it was unfortunate that the GA took note of the report.

88. A number of Member States opened the subject again under WIPO Assemblies’ Agenda Item 14 “Proposed Program and Budget for 2010-2011”. The result was the text cited in paragraph 83 above.

89. The Committee requests the Secretariat to take action on these observations and make sure that the handling of the Committee’s reports is improved in the near future. It welcomed the information provided by the Director General of the creation of a document management function.

Meeting with Representatives of WIPO Member States, Friday, December 4, 2009

90. Following a similar meeting held on August 21, 2009, the Chair of the Committee invited Officers of the PBC and the WIPO Group Coordinators, to attend an informal meeting with the Committee on Friday, December 4, 2009. They were informed that other interested WIPO Member State representatives would be welcome.

91. That meeting was attended by 21 representatives of WIPO Member States, including a Vice Chair of the PBC and six Group Coordinators. The list of participants is contained in Annex IV of this document.

92. The Chair welcomed the representatives and briefed them on the various items on the Agenda of the Committee’s current session, including the Strategic Realignment Program, the New Construction Projects, IPSAS, UN IAAC, and the activities of the Internal Audit and Oversight Division.

93. Member States representatives expressed appreciation for the briefing and suggested that such meetings be put on the Agenda of all future Committee meetings.

94. Some representatives expressed the wish for interpretation into Spanish and Arabic for informal meetings with the Committee. The Committee stated that it would convey this request to the Secretariat in writing.

WO/AC/15/2
page 19

95. There was discussion on the follow-up on the Committee's recommendations and their implementation by the Secretariat and, where appropriate, by Member States, as well as on interaction with Member States and the Secretariat. It was noted that, in view of the experience in the last sessions of the PBC and GA, the PBC may need to reconsider its planning of the Agenda in order to allow a more thorough discussion of all items, including the Committee's reports and recommendations.

96. During the discussion, Committee members stressed the fact that the Committee's objective is to have constructive dialogue with both the Administration and Member States and that its recommendations should not be construed as criticism of the management. The Committee further noted the importance for it to have, on time, necessary and complete information from the Secretariat, to enable it to pursue its oversight function, in close cooperation with the Secretariat, in a more efficient manner.

97. Views were exchanged on the decision of the GA to create a Working Group to follow up on:

- (a) the composition and rotation of the Committee; and,
- (b) the implementation of the Committee's recommendation as appropriate.

98. In this context, Committee members pointed out that they felt that it would have been more advantageous had Member States expressed themselves on the rotation of some members to be effective as of January 1, 2010, for better continuity. However, it was advisable that the numbers should be settled by mid-2010 to allow Member States to nominate and select new members, as a number of the current nine members will probably reach the end of their mandate by December 31, 2010.

99. Discussion followed on three recommendations contained in the Committee's assessment report. It seemed apparent that an agreement could easily be reached on the following two recommendations:

- (a) that the title of the Committee be changed to become the "Independent Advisory Oversight Committee" (IAOC); and,
- (b) that the Committee become a subsidiary organ of the WIPO General Assembly.

100. With regard to the third recommendation for the "establishment within WIPO of a new more functional governing body meeting more frequently than the PBC with a possible membership of 12 to 16"¹⁸, the Committee members stressed the point that this recommendation was related to what it perceived to be relative weaknesses in the governance structure of the Organization. The recommendation was based on a comparison of the governance structure of WIPO with those of other UN system organizations. This could, among others, also reduce the gap between the time of issuance of the Committee's reports and their consideration by Member States.

¹⁸ WO/GA/38/2, paragraph 74

WO/AC/15/2
page 20

101. While a number of participants welcomed the idea, many asked for further information. They pointed out the need to define the role and terms of reference of this new layer of governance. Committee members thought that permanent missions in Geneva were in the best position to gather relevant information on the governance structure of other UN agencies in the city through their membership in such organizations. The Committee would, however, attempt to update the information that it had collected in this respect.

102. Some Members reminded the participants that they had to seek guidance from their capitals, in particular, on this matter.

103. The Working Group established by the GA will look into these issues further and may meet in January/February 2010. Since no Committee members reside in Geneva, the Committee would need to be advised as early as possible of planned meeting dates to ensure participation of a Committee member. Meeting dates should, to the extent possible, take into account the need to contain Committee travel costs.

104. The Committee reminded Member States' representatives that, in accordance with Article 13 of the Terms of Reference of the WIPO Audit Committee, Member States will have to review the Committee's Terms of Reference in 2010. The Working Group may be a vehicle towards this review, as well as for a follow-up on the GA decision on the composition and rotation of the WIPO/AC, and for a follow-up on WIPO/Committee recommendations with a view towards their implementation as appropriate.

105. The Committee members reiterated the need for the Committee to have independent assistance in substantive matters as is the case for the UN Independent Audit Advisory Committee (UN IAAC). This, however, would not need to be a full-time staff/consultant, as is the case for the UN IAAC. For ease of reference, a description of such functions, excerpted from the UN IAAC Rules of Procedure, is attached in Annex V.

AGENDA ITEM 10

ELECTION OF THE CHAIR AND VICE CHAIR

106. In accordance with the newly adopted Rules of Procedure of the WIPO Audit Committee, the Committee elected Mr. Gian Piero Roz as Chair and Mr. Khalil Issa Othman as Vice Chair, effective January 1, 2010, for one year.

107. The Committee expressed its appreciation for the work of the current Chair Mr. Pieter Zevenbergen and the current Vice Chair Mr. George Haddad.

AGENDA ITEM 11

OTHER MATTERS

A. Process for the Selection of the External Auditor

108. The Committee was apprised of the discussions held during the PBC and the GA concerning the process for the selection of the External Auditor proposed by the Secretariat.¹⁹ It took note of the decision that the Committee be “involved ... in (a) preparing the list of selection criteria and (b) carrying out the preliminary technical evaluation.”²⁰ The Committee stands ready to assist in the process.

B. Next Meeting of the WIPO Audit Committee

109. The next meeting of the Committee is tentatively scheduled to take place from Monday, April 12 to Thursday, April 15, 2010.

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

1. Adoption of the Agenda
2. Strategic Realignment Program Plan
3. Internal Control:
 - A. Follow-up on Implementation of Oversight Recommendations
 - B. Update on Investigations
 - C. Internal Audit Reports
4. International Public Sector Accounting Standards (IPSAS)
5. New Construction Projects
6. Follow-up on the Assessment of the Work and Operations of the WIPO Audit Committee
7. Meeting with Representatives of WIPO Member States
8. Other Matters

[Annex I follows]

¹⁹ Document WO/PBC/14/5

²⁰ Documents WO/PBC/14/13 Prov., paragraph 6 and WO/GA/38/20, paragraph 12.

WO/AC/15/2

ANNEX I

WIPO



WO/AC/15/2

ORIGINAL: English

DATE: November 30, 2009

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

E

WIPO AUDIT COMMITTEE

Fifteenth Meeting

Geneva, November 30 to December 4, 2009

AGENDA

adopted by the WIPO Audit Committee

1. Adoption of the Agenda
2. Organization of the Work of the WIPO Audit Committee and its Functioning
3. Update on the Strategic Realignment Program:
 - A. Letter from the Director General
 - B. Voluntary Separation Program
 - C. Revision of Staff Regulations and Rules
 - D. Ethics and Integrity
4. Internal Control:
 - A. Internal Audit Reports
 - B. Validation of the Program Performance Report
 - C. External Audit Report on the Internal Audit Function
 - D. Follow-up on Implementation of Oversight Recommendations
 - E. Investigations

/...

WO/AC/15/2
Annex I, page 2

5. International Public Sector Accounting Standards (IPSAS)
6. New Construction Projects
7. Meeting with the United Nations Independent Audit Advisory Committee
8. Follow-up on the Report on the Assessment of the Work and Operations of the WIPO Audit Committee
9. Meeting with Representatives of WIPO Member States
10. Election of the Chair and Vice Chair
11. Other Matters

[Annex II follows]

WO/AC/15/2

ANNEX II

WIPO AUDIT COMMITTEE

RULES OF PROCEDURE²¹

I. Background

1. The WIPO Audit Committee serves the WIPO Member States in an expert advisory capacity to assist it in fulfilling its oversight responsibilities as set out in its Terms of Reference.²²

2. The rules of procedure are adopted by the WIPO Audit Committee, hereinafter referred to as “the Committee”. The rules supplement the terms of reference of the Committee and shall always be read together with and construed in a manner consistent with the terms of reference.

II. General Provisions

3. All members of the Committee shall reflect the highest level of integrity and shall serve in their personal capacity, and in performing their duties they shall not seek or receive instructions from any Government.

4. The members cannot delegate their duties and cannot be represented by any other person in the sessions of the Committee.

5. The Committee shall elect a Chairperson and a Vice-Chairperson for a one-year renewable term commencing on 1 January of each year. Before the term ends, the members shall elect a Chairperson and Vice-Chairperson for the next term.

6. The chairpersonship shall be automatically declared vacant if the Chairperson no longer holds membership in the Committee. The chairpersonship may be declared vacant if the incumbent is disabled or is otherwise unable to discharge his/her responsibilities for the balance of his/her term.

7. In case of a vacancy in the office of the Chairperson, the Vice-Chairperson shall assume the office of Chairperson until the expiration of his/her predecessor’s term of office. Members of the Committee shall appoint an acting Vice-Chairperson from among the other members of the Committee.

8. In the event that the Vice-Chairperson ceases to hold membership in the Committee the members of the Committee shall appoint another Vice-Chairperson from among the other members of the Committee. The vice-chairpersonship may be declared vacant if the

²¹ As adopted by the WIPO Audit Committee on December 3, 2009

²² WIPO document WO/GA/34/15

WO/AC/15/2
Annex II, page 2

incumbent is disabled or otherwise unable to discharge his/her responsibilities for the balance of the term.

9. Under the authority of the Committee, the Chairperson shall represent the Committee, shall attend hearings to respond to questions on the activities and findings of the Committee and shall serve as the chief spokesperson of the Committee before the press or other key stakeholders based on input received from the Committee. In the absence of the Chairperson, the Vice-Chairperson or another Committee member designated by the chairperson shall act on his/her behalf.

III. Plan of Activities

10. The organization of activities of the Committee shall be carried out on the basis of an annual workplan to be adopted at a formal session of the Committee.

IV. Sessions

11. The Committee shall meet regularly every quarter in formal meeting, whenever possible in coordination with the relevant activities of the WIPO governing bodies.

12. The Committee may convene at such times as may be necessary for the performance of its duties at the call of the Chairperson or at the request of any member of the Committee and as agreed to by the full Committee. The dates for sessions of the Committee are to be established by the Chairperson in consultation with the members and the Secretariat.

13. The Chairperson will prepare a provisional agenda in consultation with the members. Members shall receive the provisional agenda and accompanying documents at least two weeks before the meeting is convened.

14. The Committee shall normally hold closed sessions. The Committee may invite to its sessions individuals or parties it deems appropriate, including representatives of the WIPO secretariat and representatives of the External Auditor and of the Internal Audit and Oversight Division.

15. The Chairperson, in cooperation with Members of the Committee, shall prepare the draft report of the sessions of the Committee and shall submit it for the review and approval of all Committee members.

16. The Chairperson shall submit a report of each session in accordance with the Committee's Terms of Reference. Prior to that, the draft report will be sent to the Secretariat for correction of factual errors. Other comments by the Secretariat will be considered.

WO/AC/15/2
Annex II, page 3

V. Information and Decisions

17. The Committee shall make every effort to arrive at its recommendations and advice by consensus. However, in the event that one of the members does not agree, then such member shall have the right to briefly state his/her view in any related publication of the Committee. However, such a minority view is not binding on the Committee. A member unable to attend a session of the Committee may make his/her views on the matters to the Chairperson or Vice-Chairperson to be considered in writing, or by way of telephone or videoconference.

VI. Duties of Officers

18. The Chairperson shall:

- (a) Convene the sessions in accordance with article **IV** of these rules;
- (b) Present the provisional agenda for the session;
- (c) Conduct the meetings of the session;
- (d) Issue such correspondence on behalf of the Committee as may be required;
- (e) Represent the Committee, or nominate a Committee Member to act on his/her behalf, before such bodies, committees and the like as may be required;
- (f) Submit the Committee reports to the Programme and Budget Committee on behalf of the Committee;
- (g) Serve as the chief spokesperson of the Committee.

19. The Vice-Chairperson shall:

- (a) Conduct the meetings during periods of absence of the Chairperson;
- (b) Represent the Committee before such bodies, committees and the like as the Chairperson may request;
- (c) Assume the functions of the Chairperson in the event the Chairperson ceases to be a member of the Committee or resigns from office.

VII. Agenda

20. The Chairperson shall direct the preparation of the provisional agenda for each session after consulting with the other members of the Committee.

WO/AC/15/2
Annex II, page 4

21. Notwithstanding the general requirement that members receive at least 15 calendar days' notice of the provisional agenda for each session, additional items shall be included on the provisional agenda of a session of the Committee if a member requests the Chairperson to do so at least five days before the date set for the session.
22. An item may be deleted from or added to the provisional agenda of a meeting during the meeting with the unanimous approval of the members.
23. At the beginning of each session, the Committee shall adopt the agenda for its session.

VIII. Official Correspondence of the Committee

24. Each member will promptly circulate among members of the Committee any communications related to the functions of the Committee that he/she either receives or originates.
25. If a decision of the Committee is required between sessions and in the opinion of the Chairperson a special session is not required but the consent of the members is needed, the Chairperson may solicit the views of the members by direct communication and give effect to the opinion as a Committee decision.

IX. Confidentiality of Information

26. The Committee members, the Committee secretariat, observers and any third party invited by the Committee to attend its sessions or servicing them shall not make any document or information public without the Committee's prior authorization and shall be advised accordingly.
27. Any Committee member reporting on the Committee's work shall ensure that confidential materials are secured and shall keep other members adequately informed.

[Annex III follows]

WO/AC/15/2

ANNEX III

LIST OF DOCUMENTS

Item 1: Adoption of the Agenda

WO/AC/15/1 Prov.1: Draft Agenda, dated November 25, 2009

Item 2: Organization of the Work of the WIPO Audit Committee and its Functioning

A. Tripartite Meeting, September 3, 2009

Letter from the Director General to the Chair, dated September 14, 2009, transmitting draft Record of a tripartite meeting (Chair of the WIPO Audit Committee/External Auditor/Director, Internal Audit and Oversight Division), held on September 3, 2009.

B. Meeting with the Director General, October 22, 2009

Note prepared by Mr. Gian Piero Roz on meeting with Director General on October 22, 2009.

C. Letter from the Director General on Financial Disclosure/Declaration of Interest

Letter to the Chair, dated October 1, 2009, concerning comments of Audit Committee on working document WO/CC/61/4 “Financial Disclosure/Declaration of Interest”, and a letter from the Director General to the Chair, dated June 19, 2009, responding to the comments.

Background documents:

Office Instruction No. 57/2009 “WIPO Declaration of Interest Form Implementing Guidelines”

Letter from Chair to Director General, dated June 12, 2009, transmitting Audit Committee comments on document WO/CC/61/4

Letter from the Director General to the Chair, date May 18, 2009, requesting comments from the Audit Committee on document WO/CC/61/4

D. WIPO Audit Committee Rules of Procedure

Proposal by Mr. Gian Piero Roz, Audit Committee Member, for “WIPO Audit Committee Rules of Procedure”, dated November 24, 2009.

WO/AC/15/2
Annex III, page 2

Item 3: Update on the Strategic Realignment Program

A. Letter from the Director General

Letter from the Director General to the Chair of the Committee, dated November 19, 2009

Background document

New Senior Management Team – Curricula Vitae:

WIPO document WO/CC/61/2 “Appointment of Deputy Directors General and Assistant Directors General”, dated May 21, 2009, and presented at the Sixty-first (22nd Ordinary) Session of the WIPO Coordination Committee.

B. Voluntary Separation Program

Powerpoint Presentation: “Voluntary Separation Program (VSP) 2009-2010”; dated December 3, 2009, prepared for the WIPO Audit Committee meeting

Office Instruction 56/2009: “Voluntary Separation Program. Extension of Deadline for Formal Application”, dated July 20, 2009

Extract WIPO Document WO/CC/61/6: Report Of The Sixty-First (22nd Extraordinary) Session (June 2009), dated August 18, 2009. “Item 4 of the Agenda: Proposal for Voluntary Separation Scheme” (paragraphs 36 to 136)

Background documents

Issued at AC/14:

WIPO Document WO/CC/61/3: “Voluntary Separation Program”, dated May 29, 2009;
WIPO Document WO/CC/61/3 Add.: “Voluntary Separation Program. Addendum”, dated July 13, 2009;
Office Instruction 44/2009: “Voluntary Separation Program”, dated July 20, 2009.

C. Revision of Staff Regulations and Rules

WIPO document WO/CC/62/2: “Proposed Revision of the Staff Regulations and Rules”, dated August 15, 2009, presented at the Sixty-second (40th Ordinary) Session of the WIPO Coordination Committee (September 22 to October 1, 2009)

Background documents

Issued at AC/14:

Annex II of Draft document WO/CC/62/2 “Draft Proposed Revision of the Staff Regulations and Rules”, prepared for the Sixty-Second (39th Ordinary) Session of the WIPO Coordination Committee (September 22 to 30, 2009).

WO/AC/15/2
Annex III, page 3

D. Ethics and Integrity

Letter to the Chair, dated October 1, 2009, concerning comments of Audit Committee on working document WO/CC/61/4 “Financial Disclosure/Declaration of Interest”, and a letter from the Director General to the Chair, dated June 19, 2009, responding to the comments.

Background documents:

Office Instruction No. 57/2009 “WIPO Declaration of Interest Form Implementing Guidelines”

Letter from Chair to Director General, dated June 12, 2009, transmitting Audit Committee comments on document WO/CC/61/4

Letter from the Director General to the Chair, date May 18, 2009, requesting comments from the Audit Committee on document WO/CC/61/4

Issued at AC/13: “UN WIPO Integrity and Ethics System. Review Report”, dated December 2008, prepared by Howard Whitton, together with covering Memorandum from Mr. Treen to the Director General, dated February 6, 2009, entitled: “Integrity and Ethics Review”; and, “IOAD Summary of Proposed Recommendations” [of the Review Report].

Item 4: Internal Control

A. Internal Audit Reports

Payroll:

Issued at AC/14: Internal Audit Report IA/03/2009 “Audit of Payroll in WIPO”, dated July 17, 2009, together with covering Memorandum from Mr. Treen to the Director General.

Background documents – Office Instructions:

OI 22/1999: “Lump Sum Payment on Home Leave”;

OI 18/2002: “Home Leave”;

OI 18/2002 (Addendum No. 1): “Home Leave”;

OI 23/2003: “Compassionate Leave”

OI 38/2003: “Working Hours”

OI 08/2004: “Special Leave for Maternity Purposes for General Service Short-term Employees, Consultants, Special Labor Contract (SLC) Holders and Translators”

OI 22/2004: “Alternate Country of Home Leave”

OI 25/2004: “Compassionate Leave for General Service Short-term Employees, Consultants, Special Labor Contract Holders and Translators under the AITC Agreement”.

WO/AC/15/2
Annex III, page 4

- OI 02/2006: “Procedures for the Use of the Computerized Flexible Working Time System”
- OI 03/2006: “Sick Leave and Absence for Medical Appointments”
- OI 17/2007: “New and Modified Provisions for General Service Short-term Employees”
- OI 24/2009: “Procedures Relating to Certified Sick Leave”

Travel and Mission Support:

Issued at AC/13: Internal Audit Report: IAOD Audit Report No. IA/01/2009: “Audit of Travel and Mission Support in WIPO”, with covering Internal Memorandum, dated March 11, 2009, from Mr. Treen to the Director General.

Background documents – Office Instructions:

- OI 22/1999: “Lump Sum Payment on Home Leave”;
- OI 18/2002: “Home Leave”;
- OI 18/2002 (Addendum No. 1): “Home Leave”;
- OI 41/2008: “Official Travel and Related Expenses”; and,
- OI 59/2009: “Amendments to the Staff Regulations and Staff Rules (No. 139)” – Air Travel Conditions – Rule 7.1.9

New Construction Project Risk Register:

Document IA/05/2009: Internal Audit Report “Review of WIPO Risk Registers for the New Construction Project”, dated September 18, 2009.

PCT Revenue Generation Process:

Document IA/04/2009: “Final Audit Report on the PCT Revenue Generation Process”, and transmittal Memorandum, from Mr. Treen to the Director General, both dated November 4, 2009.

B. Validation of the Program Performance Report

Issued at AC/14: Memorandum “Summary Report on IAOD Validation of the 2008 Program Performance Report” and “Validation Report of the 2008 Program Performance Report”, from Mr. Treen to the Director General, dated June 4, 2009.

C. External Audit Report of the Evaluation of the Internal Audit Function in WIPO

Memorandum from Mr. Treen to the Director General, dated November 11, 2009 entitled “External Audit Report on the Evaluation of the Internal Audit Function in WIPO”;

WO/AC/15/2
Annex III, page 5

“IAOD Comments/Action Plan on the External Audit Report of the Evaluation of the IA Function in WIPO”, dated November 3, 2009, prepared by the Director, IAOD; and,

“Assessment of the Internal Audit Function. Report of the External Auditor to the WIPO General Assembly”, dated August 11, 2009, prepared by the Swiss Federal Audit Office (English version and French original).

D. Follow-up on Implementation of Oversight Recommendations

Memorandum from Mr. Treen to the Director General, dated November 16, 2009 entitled “Oversight Recommendations Follow Up”;

Lists of Recommendations with Outstanding Implementation Status (Part I), as at November 10, 2009;

Implemented Oversight Recommendations (Part II) as at November 10, 2009;

“List of Recommendations for a priority. Priority: High priority”;

“Recommendation Statistics for high priority”;

Implementation Status of Outstanding External Audit Recommendations, with transmittal memorandum from Mr. Treen to the Director General, dated October 30, 2009; and,

List of Outstanding External Audit Recommendations, with transmittal memorandum from Mr. Treen to Program Managers, dated September 19, 2009.

E. Investigation

“IAOD Quarterly Summary Report – July-September, 2009” with cover memorandum from Mr. Treen to the Director General, dated October 7, 2009.

Item 5: International Public Sector Accounting Standards (IPSAS)

Powerpoint Presentation “Adoption of International Public Sector Accounting Standards at WIPO”.

Item 6: New Construction Projects

A. Progress Reports

WO/AC/15/2
Annex III, page 6

“Progress Report on the New Construction Projects”, dated November 12, 2009, prepared by the Secretary (I. Boutillon) of the Construction Committee; and,

“Progress Report by the Pilot”, dated November 18, 2009.

B. Cashflow Projections

“Cashflow Projections”, dated November 19, 2009.

C. Call for Expressions of Interest

“Call for Expressions of Interest (EOI) No. PTD/09/51” for the Mandate of General Contractor for the New WIPO Conference Hall”, as published on the Procurement page of the WIPO website.

D. Risk Registers

Extract (risk levels 9, 6 and changes) from WIPO Risk Register No. 20 (September 30, 2009); and,

Document IA/05/2009: Internal Audit Report “Review of WIPO Risk Registers for the New Construction Project”, dated September 18, 2009.

D. External Audit Report

Document A/46/7 “External Auditor’s Report: New Construction Project: Evaluation of the External Auditor on the New Administrative Building and Additional Storage Construction Project – Follow-up to the 2007 Audit”.

Item 7: Meeting with the United Nations Independent Audit Advisory Committee

UN document A/C.5/62/9 “Appointment of members of the Independent Audit Advisory Committee”, dated October 18, 2007;

UN document A/63/328 “Activities of the Independent Audit Advisory Committee for the period from 1 January to 31 January 2008”, dated August 25, 2008; and,

UN document A/64/86 “Internal oversight: proposed programme budget for the biennium 2010-2011. Report of the Independent Audit Advisory Committee”, dated June 5, 2009.

Item 8: Follow-up on the Report on the Assessment of the Work and Operations of the & WIPO Audit Committee; and

Item 9: Meeting with the Working Group on the Composition of the WIPO Audit Committee and Implementation of its Recommendations

WO/AC/15/2
Annex III, page 7

Assessment of the Work and Operations of the WIPO Audit Committee

WIPO Documents WO/GA/38/2 and WO/GA/38/2 Corr: “Report of the WIPO Audit Committee Since 2008”, dated September 5, 2009, and Corrigendum, dated September 21, 2009, presented to the Forty-Seventh Series of Meetings of the Assemblies of the Member States of WIPO, September 22 to October 1, 2009.

General Assembly Decision 2009

E-mail “Report of Mr. Othman on the WIPO Assemblies” from Ms. Beyler-Sapiente to all Audit Committee members, dated September 29, 2009.

Transcription of General Assembly Report Adoption Session on October 1, 2009, relating to Item 9;

Extract “Item 9 of the Consolidated Agenda: Report of the WIPO Audit Committee Since 2008; Composition of the WIPO Audit Committee” (paragraphs 15 to 30, pages 4 to 6) from WIPO document WO/GA/20 Prov.: Draft Report of the Thirty-eighth (19th Ordinary) Session of the WIPO General Assembly, dated October 1, 2009. Extract;

Extract “Agenda Item 8. Composition of the WIPO Audit Committee (Presentation by the Chair)” from WIPO Document A/47/15: “Summary of Recommendations Made by the Program and Budget Committee at its Fourteenth Session Held from September 14 to 16, 2009”, dated September 16, 2009, and presented to the Forty-Seventh Series of Meetings of the Assemblies of the Member States of WIPO, September 22 to October 1, 2009; and,

WIPO Document WO/GA/38/16: “Composition of the WIPO Audit Committee”, dated September 5, 2009, presented to the Forty-Seventh Series of Meetings of the Assemblies of the Member States of WIPO, September 22 to October 1, 2009.

**_*_*_*_

Other Correspondence/Documents:

Internal Control Gap Assessment

Letter from the Chair to the Director General and letter to Mr. Treen, Director, IAOD, both dated September 16, 2009, concerning preliminary review of the Audit Committee on terms of reference for an internal control review and gap assessment.

Letter to the Chair, dated September 21, 2009, concerning the Internal Control Gap Assessment.

Background document: *Issued AC/14:* “Internal Control Review and Gap Assessment”

WO/AC/15/2
Annex III, page 8

Report of the Fourteenth Meeting of the WIPO Audit Committee

Letter from Mr. Favatier, Chief Financial Officer (Controller) to the Chair, dated October 20, 2009, providing comments on Report of the Fourteenth Meeting of the WIPO Audit Committee (document WO/AC/14/2 Rev.)

Background documents:

Document WO/AC/14/2 Rev. Report of the Fourteenth Meeting of the WIPO Audit Committee, dated September 21, 2009.

Issued at AC/14: Letter from P. Favatier to the Chair, dated April 6, 2009, transmitting: “FRR-IPSAS Implementation Project Initiation Document (PID)”, version 2.1, dated March 30, 2009, prepared by Robert Lawton; and, “Risk Management Log for FRR-IPSAS Implementation Project”, updated March 30, 2009.

WIPO document WO/PBC/14/6 “Progress Report on the Implementation of IT Modules to Establish Compliance with the New Financial Regulations and Rules and IPSAS”, dated July 30, 2009.

WIPO document WO/PBC/14/8 “Status of the Utilization of Reserves”, dated August 15, 2009

WIPO Document WO/PBC/13/6 “Proposed Utilization of Available Reserves Overview and Background”, dated November 13, 2008.

[Annex IV follows]

WO/AC/15/2

ANNEX IV

Meeting with Representatives of WIPO Member States
December 4, 2009

List of Participants

ALGERIA

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

AUSTRALIA

Peter HIGGINS, First Secretary, Permanent Mission, Geneva

BRAZIL

Thais VALÉRIO DE MESQUITA (Ms), First Secretary, Permanent Mission, Geneva

CHINA

WANG Xiaoying, First Secretary, Permanent Mission, Geneva

COSTA RICA

Carlos GARBANZO, Minister Counselor, Permanent Mission, Geneva

ECUADOR

Luís VAYAS VALDIVIESO, First Secretary, Permanent Mission, Geneva

EGYPT

Mohamed GAD, First Secretary, Permanent Mission, Geneva

EL SALVADOR

Rodrigo RIVAS MELHADO, Minister Counselor, Permanent Mission, Geneva

WO/AC/15/2
Annex IV, page 2

FRANCE

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

GERMANY

Anjulie BARYALI (Ms.), Permanent Mission, Geneva

KYRGYZSTAN

Askhat RYSKULOV, Counselor, Permanent Mission, Geneva

MEXICO

Arturo HERNANDEZ BUSAVE, Ambassador, Deputy Permanent Representative, Permanent Mission, Geneva

Jose Ramon LORENZO DOMINGUEZ, First Secretary, Permanent Mission, Geneva

SERBIA

Ms. Vesna FILIPOVIC-NIKOLIC, Counselor, Permanent Mission, Geneva

SOUTH AFRICA

Susanna CHUNG (Ms.), Second Secretary, Economic Development, Permanent Mission, Geneva

SPAIN

Miguel Ángel VECINO QUINTANA, Counselor, Permanent Mission, Geneva

Nuria URQUIA (Ms.), Permanent Mission, Geneva

SWITZERLAND

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

WO/AC/15/2
Annex IV, page 3

UNITED STATES OF AMERICA

Susan FALATKO (Ms.), First Secretary, Permanent Mission, Geneva

Deborah LASHLEY-JOHNSON (Ms.), Intellectual Property Attaché for Economic and Science Affairs, Permanent Mission, Geneva

YEMEN

Fawaz Al-Rassas, Second Secretary, Permanent Mission, Geneva

[Annex V follows]

WO/AC/15/2

ANNEX V

**Excerpt “IX. THE SECRETARY OF THE COMMITTEE”
from the Rules of Procedure of the United Nations
Independent Audit Advisory Committee (UN IAAC)²³
(see paragraph 105 above)**

“27. The full-time Executive-Secretary of the Committee, provided by the Department of Management in the United Nations Secretariat shall:

- a. Maintain the minutes and other official records of the Committee which shall remain in his/her office at United Nations Headquarters;
- b. Assist the Chairperson in the preparation of the agenda, other correspondence, and technical papers for discussion during the session;
- c. Conduct research and in-depth analysis of the key issues most relevant to the work of the Committee;
- d. Write reports and present information based on the research and analysis conducted;
- e. Prepare the drafts of the session’s minutes and circulate them to all members for approval at the next meeting of the Committee;
- f. Distribute the session’s final minutes;
- g. Keep the Committee informed of developments in the United Nations which may include such items as policy decisions, decisions of the intergovernmental bodies, discussions by expert bodies, etc. that relate to the work of the Committee;
- h. Promptly provide members with any information or documents needed to allow members to make complete and accurate reports on the Committee’s work to the General Assembly;
- i. Prepare briefing notes for the Chairperson of the Committee;
- j. Draft the Committee’s annual report to the General Assembly containing the advice of the Committee to the General Assembly, and describing its work in discharging its responsibilities; and submit the draft report for review and approval of all Committee members;
- k. Maintain liaison with management, with key personnel of entities that audit the United Nations Secretariat and with the Secretariats of the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee, the Joint Inspection Unit, and the Committee for Programme Coordination;
- l. Take the necessary steps to ensure that the physical arrangements such as conference rooms, interpretation services, etc. are available;
- m. Ensure the effective management of the Committee Secretariat office including maintaining a reference library of documentation on audit/oversight related administrative and budgetary matters;
- n. Ensure that the Secretariat makes timely travel arrangements for travel of Committee members and for timely reimbursements relating thereto;
- o. Such other duties and responsibilities as may be assigned by the Chairperson in consultation with other members of the Committee.”

[End of Annex V and of document]

[Annex II follows]

²³ Rules of Procedure for the Independent Audit Advisory Committee adopted by the IAAC on 22 February 2008 at its First Session, and communicated to the General Assembly at its 63rd Session (document A/63/328).

EXTRACT FROM DOCUMENT WO/GA/38/2

ASSESSMENT OF THE WORK AND OPERATIONS
OF THE WIPO AUDIT COMMITTEE
AUGUST 18, 2009

“VI. Conclusions and Recommendations

70. There is an agreement among all parties (Member States, Secretariat and AC members) that the *continuation of an external independent and advisory Oversight/Audit Committee in WIPO is in the interest of the Organization and is needed.*
71. The word “Audit” does not encompass the scope of functions carried out by internal or external oversight/audit committees. In line with other UN organizations, the title of the present WIPO Audit Committee should be changed to reflect such a reality.
72. *It is recommended that the title of the WIPO Audit Committee be changed to the WIPO Independent Advisory Oversight Committee (IAOC).*
73. The WIPO AC is an advisory oversight mechanism for Member States. The interaction between the Audit Committee and Member States has been sporadic and not synchronized with the PBC, which meets once per year. In other UN organizations, there is a smaller and more functional layer of governing body that meets more frequently to interact with oversight bodies, and act upon their reports.
74. *It is recommended that Member States consider the establishment, within WIPO, of a new more functional governing body meeting more frequently than the PBC, with a possible membership of twelve to sixteen.*
75. The oversight/audit committee in both the UN and IFAD (see paragraphs 43 and 46 above) are subsidiary organs of their respective legislative bodies.
76. *It is recommended that the WIPO “Independent Advisory Oversight Committee (IAOC)” be designated by Member States as a subsidiary organ of the PBC/GA or the suggested smaller governing body (paragraph 45).*
77. The composition of external oversight bodies within the UN system varies. It usually follows the designated regional geographic groups. As shown in this report, the membership number is not to be taken in isolation but to be considered in relation to:
 - required skills and qualifications, both individual and corporate;
 - nomination and selection/election by Member States;
 - geographical distribution and rotation;
 - Secretariat assistance, with budgetary implications; and,
 - the governance system in the organization.
78. Another factor is related to the nature and functions of an audit/oversight committee. In a number of UN organizations, the members are appointed by and report to the chief executive rendering the committee as an internal management tool rather than an external oversight body. The AC does not consider this as a viable alternative to an external independent oversight body reporting to Member States.

79. The AC described above three models (memberships of nine, seven or five) prevalent in the UN system organizations. Taking into account all these factors mentioned above, the membership has to be considered very carefully.
80. *The AC refrained from recommending any of the membership size options and leaves this decision to Member States.*
81. Other more specific conclusions and recommendations appear in Table 5 of this report, as summarized below:
 - (a) The AC considers that there is a need for: (i) more understanding by the Secretariat of the role of external oversight as an arm of Member States; (ii) improved understanding by the AC of the IP context and challenges; and, (iii) better interaction between the AC and Secretariat.
 - (b) The current membership has by now acquired a reasonably good understanding of WIPO's operations. However the AC is of the view that a customized training program would have to be designed for any new members, according to his/her background and expertise, and outside of the official meetings time.
 - (c) The AC believes that in order to exercise its oversight function, it should have unhindered access to all staff and consultants of the Organization, as well as access to records.
 - (d) The AC believes that management should emphasize and disseminate the principle of operational independence of IAOD.
 - (e) The Secretariat should design and establish a follow-up system for the implementation of oversight recommendations, for review by the AC.
 - (f) Stronger secretariat support to the AC is needed. Specialized expertise may be required.
 - (g) For the scheduled review of the AC's ToRs in 2010, it is suggested that use be made of the self assessment questionnaires of the National Audit Office of the United Kingdom (NAO) and Deloitte & Touche (D&T) (Appendix III)."

[End of Annex II and of document]