

WIPO



WO/PBC/WG/07/2

ORIGINAL: English

DATE: April 19, 2007

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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WORKING GROUP OF THE PROGRAM AND BUDGET COMMITTEE

Geneva, April 27, 2007

BACKGROUND INFORMATION

prepared by the Secretariat

1. The present document is submitted to the Member States for the reconvened session of the Working Group of the Program and Budget Committee. The report of the Working Group's first session (held on December 14, 2007) and the Statement of the Vice-Chairman of the WIPO Audit Committee on that occasion are attached for ease of reference in Annex I.

ITEM 4 OF THE DRAFT AGENDA: REVIEW OF THE TERMS OF REFERENCE OF THE WIPO AUDIT COMMITTEE (CONTINUED)

2. Concerning this item of the agenda, it is recalled that in its final decision, the Working Group had requested the Secretariat to convene a one-day session of the Working Group immediately following the spring 2007 Audit Committee meeting, and to provide to the Working Group a document presenting the terms of reference of the Audit Committee, and, in "track changes", any amendments that the Audit Committee may have recommended in its report. The document would also present any proposal that the Audit Committee may have made in respect of its resources, including the possibility of an independent secretariat; (document WO/PBC/WG/06/2, paragraph 7(v)).

3. At its fourth session (March 26 to 29, 2007), the WIPO Audit Committee reviewed its terms of reference and presented proposed amended terms of reference for the consideration of the Working Group. The report of the fourth session of the Audit Committee is presented

in Annex II of this document. A track changes version of the Audit Committee's amended terms of reference is attached to this document as Annex III to facilitate the review of the Working Group.

4. *The Working Group is invited to:*

(i) *take note of the information provided in the present document;*

(ii) *make its recommendations to the Program and Budget Committee on the revised terms of reference of the Audit Committee.*

ITEM 5 OF THE DRAFT AGENDA: REVIEW OF THE WIPO INTERNAL AUDIT CHARTER, AND STRUCTURE AND RESOURCES FOR INTERNAL AUDIT AND OVERSIGHT AT WIPO (CONTINUED)

5. At its December session the Working Group started to deal with this item of the agenda but was unable to conclude its deliberations due to a lack of time.

6. Before the adjournment of the session, the Working Group had, nevertheless, the time to hear the Acting Director of IAOD, the statement of the Vice Chair of the Audit Committee, and the delegations of France, Netherlands, Switzerland and United Kingdom.

7. To facilitate the review of the Member States, a copy of the WIPO Internal Audit Charter is attached to the present document as Annex IV.

8. *The Working Group is invited to:*

(i) *take note of the contents of Annex IV;*

(ii) *make its recommendations to the Program and Budget Committee on the revision of the WIPO Internal Audit Charter.*

[Annexes follow]

WIPO



WO/PBC/WG/06/2

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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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**WORKING GROUP OF THE
PROGRAM AND BUDGET COMMITTEE**

Geneva, December 14, 2006

REPORT

adopted by the Working Group

OPENING OF THE SESSION

1. A formal session of the open-ended Working Group of the Program and Budget Committee (PBC), hereinafter referred to as “the Working Group”, was held at the headquarters of WIPO on December 14, 2006. The list of participants is annexed to the present document (Annex I).

ELECTION OF A CHAIR

2. The Working Group elected Mr. Gilles Barrier (France) as *Ad hoc* Chair. Mrs. Carlotta Graffigna (Executive Director and Controller, WIPO) acted as Secretary.

ADOPTION OF THE AGENDA

3. The Agenda was adopted as annexed (Annex II).

REVIEW OF THE TERMS OF REFERENCE OF THE WIPO AUDIT COMMITTEE

4. The Secretariat recalled that the present session was a follow up to the September 2006 decision of the Assemblies to convene an open-ended Working Group of the PBC (paragraph 188(c) of document A/42/14) to review the terms of reference of the Audit Committee (AC) and prepare a proposal on adequate resources, including the possibility of an independent secretariat, to assess and review the Internal Audit Charter, and review the structure and resources required for effective internal audit and oversight in WIPO.

5. The statement of the Chair of the WIPO Audit Committee, Mr. Khalil Issa Othman, on the subject of this agenda item is annexed (Annex III).

6. The delegations of France, Germany, India, Japan, Netherlands, Russian Federation, Switzerland, United Kingdom and United States of America took the floor on this item of the agenda.

7. *The Working Group:*

(i) took note of the presentation made by the Chair of the Audit Committee and the comments made by a number of delegations on the present item of the agenda;

(ii) expressed its appreciation for the work carried out so far by the Audit Committee;

(iii) recalling that, in establishing the Audit Committee, the 2005 session of the General Assembly had decided to review its mandate, functioning and membership at the end of two years (document A/41/17, paragraph 194(ii)), and recalling the 2006 General Assembly decision that this open-ended Working Group of the Program and Budget Committee review the terms of reference of the Audit Committee and prepare a proposal on adequate resourcing, including the possibility of an independent secretariat (document A/42/14, paragraph 188(c));

(iv) recommended to revise, inter alia, the text of paragraph 2(b)(i) of the terms of reference of the Audit Committee;

(v) requested the Secretariat to convene a one-day session of the Working Group immediately following the spring 2007 Audit Committee meeting, and to provide to the Working Group a document presenting the

terms of reference of the Audit Committee, and, in “track changes”, any amendments that the Audit Committee may have recommended in its report. The document would also present any proposal that the Audit Committee may have made in respect of its resources, including the possibility of an independent secretariat;

(vi) the Working Group would consider the Audit Committee’s recommendations and recommend any further revision of the Audit Committee’s terms of reference.

REVIEW OF THE WIPO INTERNAL AUDIT CHARTER, AND STRUCTURE AND RESOURCES FOR INTERNAL AUDIT AND OVERSIGHT AT WIPO

8. The Chair proposed, and the Working Group agreed, to continue the discussion until the end of the afternoon and to resume it at the spring session of the Working Group.

9. The Acting Director of IAOD introduced this item of the agenda. He noted that the Audit Charter would, like the Terms of Reference of the Audit Committee, be reviewed and amended in 2007.

10. The statement of the Vice Chair of the Audit Committee, Pieter Zevenbergen, is annexed to this document (Annex IV).

11. The delegations of France, Netherlands, Switzerland and United Kingdom made preliminary comments on this item of the agenda.

ADJOURNMENT OF THE SESSION

12. The session was adjourned.

[Annex IV follows]

STATEMENT OF MR. PIETER ZEVENBERGEN,
VICE-CHAIRMAN OF THE WIPO AUDIT COMMITTEE

WIPO has three functioning audit bodies: the External Auditor, the Internal Auditor and the Audit Committee. Independence and complementarity are of primary importance among these three audit institutions, comparable to the delicate balance of an equilateral triangle, so that these oversight bodies can provide assurance to Member States on both the regularity and effectiveness of the Organization's operations. In the report of its October-November 2006 session (document WO/AC/3/2), the Audit Committee had flagged eight issues:

1. Paragraph 4 of Annex II ("WIPO Internal Audit Charter") to document A/41/11 ("Proposal on the Adoption of A WIPO Internal Audit Charter") states,

"The Internal Auditor has to accept requests for his/her services from the Director General, but he/she should be free to carry out any action within the purview of his/her mandate. The workplan of the Internal Auditor shall be based on a risk assessment, to be carried out at least annually, on which basis work would be prioritized. In this process, the Internal Auditor shall take into account the comments of the Director General and Member States."

The Committee is of the opinion that this wording should be reworked as it could be possible for a Director General to make so many requests of the Internal Auditor that the latter would not be in a position to work on his own program based on his risk analysis.

2. Paragraph 5 of that same document states,

"The Internal Auditor shall conduct internal audits in a professional, impartial and unbiased manner; conflicts of interest should be avoided. He/she will perform all audit work with due professional care and in accordance with best practice recommended by the Institute of Internal Auditors, which is accepted and applied by the UN system organizations."

The Committee is of the opinion that a mechanism should be developed to handle conflicts of interest if they should arise.

3. Paragraph 8 states,

"The Internal Auditor shall be available to receive directly from individual staff members complaints or information concerning the possible existence of fraud, waste, abuse of authority, non-compliance with rules and regulations of WIPO in administrative, personnel and other matters or other irregular activities relevant to the mandate of the Internal Auditor. Relevant internal whistle-blowing policies and procedures shall be developed, established and applied in conjunction with this Charter."

The Committee is of the opinion that this is a situation in which the WIPO Ombudsman also potentially had a right to act and that the responsibilities of both bodies should be clarified in order to avoid each institution's working on the same issue.

4. Paragraph 13(d) of WIPO's Internal Audit Charter states,

“To effectively implement WIPO's Internal Audit function, the Internal Auditor shall ... Liaise and coordinate with the External Auditor and monitor the follow-up of their recommendations.”

The Committee is of the opinion that the Internal Auditor should liaise and coordinate with the External Auditor, as illustrated in the earlier example of the equilateral triangle.

5. The Committee is of the view that the Internal Auditor should support the WIPO Audit Committee, as part of the equilateral triangle to which he had referred earlier.

6. Paragraph 13(f) stated that the Internal Auditor shall

“Develop and maintain a quality assurance/improvement program covering all aspects of Internal Audit, including periodic internal and external review and ongoing self-assessment, such as tracking time taken to produce reports.”

The Committee is of the opinion that reporting lines should be streamlined as there is a contradiction between paragraph 18:

“The Internal Auditor shall submit the final internal audit reports to the Director General, copied to the Audit Committee. The External Auditor shall also receive a copy, along with any supporting documentation. Permanent Representatives of Member States to WIPO or their designates can read final internal audit reports in the Internal Auditor's office.”

and paragraph 21:

“The Internal Auditor shall present, on an annual basis, a report to the Director General, regarding the implementation of recommendations made by the External Auditor.”

Since the Committee has a responsibility to communicate on the yearly plan it is logical that it should also discuss the annual report.

7. Paragraph 27 of WIPO's Internal Audit Charter states:

“The appointment, replacement or dismissal of the Internal Auditor shall be formally made by the Director General, taking into account the advice of the Audit Committee and the Coordination Committee. The Internal Auditor will have a fixed term of four years, renewable on the recommendation of the Audit Committee, for an additional term of four years. He/she would not be eligible for any further employment in WIPO.”

The Committee would prefer to be “informed” instead of playing an advisory role.

8. The issue of the revision clause (“This Charter shall be subject to revision two years after its adoption.”) had already been discussed earlier in the session of the Working Group. The Committee suggests that Member States reconsider the periodicity of the Charter’s revision since information which might lead to changes in the Charter could be received on an annual basis.

[End of Annex IV and of document]

[Annex II follows]

WIPO



WO/AC/4/2

ORIGINAL: English

DATE: April 13, 2007

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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WIPO AUDIT COMMITTEE

Fourth Meeting Geneva, March 26 to 29, 2007

REPORT

1. The fourth WIPO Audit Committee meeting (hereinafter referred to as “the Audit Committee”) took place from March 26 to 29, 2007. Present were Messrs. Khalil Issa Othman (Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Babatunde Ajibola Oladele, Gian Piero Roz and Igor Shcherbak.
2. The Committee adopted the draft Agenda (Annex II).
3. The Audit Committee meeting was briefed by the Chair on the outcome of the Working Group of the Program and Budget Committee, held on December 14, 2006, and the Tripartite Meeting on the Desk-to-Desk Assessment Project, held on January 22, 2007, as well as on informal meetings with Member States and Secretariat officials.

AGENDA ITEM 1: The New Construction Project

4. The Audit Committee was provided with the following documents by the WIPO Secretariat:
 - Progress Report on the New Construction Project, issued on March 8, 2007, by Mr. Philippe Petit, Chair, and Ms. Isabelle Boutillon, Secretary, of the Construction Committee

- Charter for the New Construction Project, issued on March 8, 2007, by Mr. Philippe Petit, Chair, and Ms. Isabelle Boutillon, Secretary, of the Construction Committee
- Charter for the New Construction Project, issued on March 8, 2007, by Mr. Philippe Petit, Chair, and Ms. Isabelle Boutillon, Secretary, of the Construction Committee, showing changes between versions 3 and 4
- Pilot Monthly Reports for the months of November/December 2006 and January/February 2007
- Report of the External Auditor dated November 9, 2006

5. Further information and explanations were provided orally to the Audit Committee by Mr. Philippe Petit, Chair, and Ms. Isabelle Boutillon, Secretary, of the Construction Committee, as well Mr. Jean-Daniel Fehr, Project Director General and Mr. Jean-Noël Alaterre, Project Associate Director, Burckhardt + Partner SA (“the Pilot”) during the course of the meeting.

6. The Audit Committee recommends:

- (a) The risk registers (Annexes XIII A and B of the Construction Charter) should be amended to include a named individual responsible for dealing with each risk specified;
- (b) The risk register (Annex XIII B of the Construction Charter) prepared by the Secretariat should set out specific measures for risk mitigation;
- (c) The risk registers (Annexes XIII A and B of the Construction Charter) should be amended so that they are set out in order of risk priority;
- (d) In its future reports, the Secretariat should provide information to the Audit Committee on key changes to the risk register and, if any, the reasons for removing risks or reducing priorities from its risk register;
- (e) The Pilot is invited to provide comments on the Secretariat risk register.
- (f) Inconsistencies in the reporting line between the Architect and the Pilot in Annex IA and Annex IC of the Construction Charter should be eliminated;
- (g) The role of Internal Audit and Oversight Division (paragraphs 63 and 64) deleted from the Construction Charter version 2006 0304 issued on October 15, 2006, should be reinstated and amended to permit Internal Audit and Oversight Division to sub-contract this role in so far as its own human resources are insufficient for this purpose;
- (h) Throughout the Construction Charter and relevant appendices thereto, clear distinction should be made between reporting for information purposes and reporting for accountability purposes;
- (i) The Pilot’s monthly reports should include an analysis of problems registered, risks removed or mitigated and new issues foreseen;
- (j) The result of consultation by the Construction Committee with the *Institute du droit suisse et international de la construction* with regard to dispute resolution procedures to be incorporated in the general contractor’s contract be reported to the Audit Committee prior to its next formal meeting.

AGENDA ITEM 2: The Desk-to-Desk Review

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

- Summary of Discussions held during the Tripartite Meeting on the Desk-to-Desk Assessment Project. January 22, 2007
- Progress Report on the Desk-to-Desk Assessment of WIPO's Human and Financial Resources
- WIPO Desk-to-Desk Review: IPSC/PwC Meeting: Status Report and Preparation of March Deliverables, dated February 27, 2007

8. The Audit Committee was briefed by Mr. Richard Golding, Partner, Mr. Kevin Delany, Partner, Ms. Karin Hagemann, Director and Ms. Gill Sivyver, Director, of PricewaterhouseCoopers (PwC) and separately by Mr. Francis Gurry, Deputy Director General, in his capacity as Chairman of the Internal Project Steering Committee (IPSC) on the progress of the project. The briefings were in the form of an oral presentation. In this regard, the Audit Committee was informed that, for the sake of confidentiality at a stage when the project had not yet reached final conclusions, the Steering Committee had agreed with PwC that there would not be an interim written report on the subject.

9. The information provided by PwC and the Chairman of the Steering Committee suggested that the project was on track and that a diagnosis of the vulnerable areas and malfunctions had already emerged, but needed further substantiation before recommendations could be made. The Audit Committee had extensive discussions with both PwC and the Chairman of the Steering Committee about specific items raised by PwC. Nevertheless, the Audit Committee concluded that the absence of a written report limited its ability to oversee the progress made so far, in particular, as it related to the key questions raised by the Audit Committee during the tripartite meeting held on January 22, 2007, and as to whether PwC's progress was in accordance with the Terms of Reference.

10. The Audit Committee took note of the fact that the final version of the report would not be available before the end of June. Accordingly, the Audit Committee urges the WIPO secretariat to monitor closely the progress of work, in terms of its substantive content and direction, in order to ascertain that the desk-to-desk exercise is addressing the core issues reflected in the Project's Terms of Reference, in particular, those relating to the questions raised by the Audit Committee during the tripartite meeting of January 22, 2007. The Committee will keep under review the progress of the project in order to closely examine the conclusions and recommendations of PwC and provide its views on the matter to the Program and Budget Committee.

AGENDA ITEM 3: Internal Audit and Oversight

11. The Audit Committee was provided with the following documents:

- Comprehensive List of WIPO Oversight Recommendations from 2002 to 2007, and Status of Implementation, as of March 23, 2007
- Internal Audit and Oversight Progress Report, March 2007

12. Further information and explanations were provided orally by Mr. Nicholas Treen, Director, Internal Audit and Oversight Division (IAOD). The Committee was aware of the deficiencies in IAOD prior to Mr. Treen's appointment and was looking forward to work with him towards strengthening the resources of the IAOD. However, while the Committee has been recommending the strengthening of IAOD, the Committee notes with concern that one senior post had been taken out of IAOD.

13. The Audit Committee makes the following recommendations:

- (a) the Director of IAOD reviews the oversight recommendations for continuing relevancy and develops a follow-up system, to include compliance benchmarks;
- (b) the Director of IAOD develops a strategic approach and rationale for his 2007 plans, setting out the objectives, priorities and resource requirements. Consideration should be given to outsourcing skills urgently required, using funding available in respect of vacant posts;
- (c) the development of policy and guidelines for conducting investigations and inspections should be given high priority;
- (d) investigation and inspection functions should be separated for planning and resourcing purposes;
- (e) the assignment of responsibility for preparing the Program Performance Report, presently undertaken by IAOD, should be reassessed in line with the UN system common practice.

AGENDA ITEM 4: Methods of Work of the WIPO Audit Committee

AGENDA ITEM 5: Examination of document A/41/10 "Proposal on the Establishment of a WIPO Audit Committee"

AGENDA ITEM 6: Internal Audit Charter

14. The Audit Committee examined its Methods of Work and reviewed its Terms of Reference. The proposed amended Terms of Reference appear in **Annex I** to this Report.

15. The Audit Committee will continue to follow up and participate in the discussion regarding the Internal Audit Charter in the Working Group of the Program and Budget Committee.

AGENDA ITEM 7: Draft WIPO Financial Regulations and Rules

AGENDA ITEM 8: Procurement

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

- Draft Revised Financial Regulations and Rules of WIPO (First Draft, dated March 6, 2007)
- Presentation on Draft Revised Financial Regulations and Rules of WIPO – Powerpoint slides

17. Further information and explanations were provided orally to the Audit Committee by Mrs. Carlotta Graffigna, Executive Director and Controller, Office of the Controller, Mr. Philippe Favatier, Director, Finance Division, and Mr. Cecil Ee, Office of the Controller.

18. The Audit Committee noted with appreciation the fact that WIPO had based its draft paper on the UN Financial Regulations and Rules recently approved by the UN General Assembly. This approach leads to savings in time and effort and contributes towards the needed harmonization of Rules and Procedures within the UN system.

19. A section on the procurement related regulations and rules was to be added to the WIPO Financial Regulations and Rules by the WIPO Secretariat. On the other hand, the Audit Committee will take up the question of procurement as a separate issue (Office Instruction 21/2006: "Procurement and Purchase. General Principles, Framework and Procedures", of August 2006) at its forthcoming meeting.

20. The Audit Committee reviewed in detail the proposed Regulations and Rules and shared comments with WIPO's administration.

21. The Audit Committee recommends that the proposed new financial rules and regulations be presented to the Program and Budget Committee with a timetable for their implementation and the detailed description of efforts required to implement them through the establishment of new manual and automated processes, with estimated related costs.

22. The Audit Committee particularly expressed concerns about the capability of the Secretariat to implement, by January 2008, some of the needed changes proposed in the revised Staff Regulations and Rules, due to the lack of adequate automated systems.

23. The Audit Committee welcomed the proposed measures to re-assign accountability to Program Managers. This would end the current practice whereby the Controller certifies all kinds of expenditure related to the implementation of the Programs, which absolves the Program Managers from the responsibility of managing their projects.

24. The Audit Committee recommends that:

- (a) the Director of the Internal Audit and Oversight Division (IAOD) complete rapidly plans related to the establishment of Ethics-related and financial disclosure procedures within WIPO, noting staff constraints in IAOD;
- (b) Member States consider ratifying the conventions agreed upon by the General Assemblies, upon which the implementation of certain proposed regulations depends;
- (c) the Secretariat prepare a detailed plan for the training of current and future managers in the application of the new Financial Regulations and Rules. The program should include special training for all newly appointed or promoted managers. Training should also be envisaged for all General Service and Professional staff whose work will require knowledge of the new Financial Regulations and Rules;
- (d) the Secretariat develop a regulatory policy for short- and long-term investments, which would be approved by Member States. External expertise should be envisaged in this connection;
- (e) the Secretariat complete new financial regulations and rules for procurement and external audit (possibly attached as an Annex to the WIPO Financial Regulations and Rules, as is the case for the UN Financial Regulations and Rules) for review by the Committee at its next session in July.

25. The Audit Committee is of the opinion that the successful implementation of the Financial Regulations and Rules is contingent upon an effective and efficient financial management structure within the Secretariat. Accordingly, the Audit Committee recommends that the Director General completes, as soon as possible, the review of the current dual financial management structure, which it considers inefficient, and that a unified system be established.

26. Regarding the inclusion of a reference to the Audit Committee in the Financial Regulations and Rules, the Controller suggested that a regulation be added and the Terms of Reference of the Audit Committee be included as an Annex. As recommended by the Controller, the Audit Committee recommends the inclusion of the following Regulation to the text proposed:

“There shall be an Audit Committee to assist Member States in their role of oversight and for better exercise of their governance responsibilities with respect to the various operations of WIPO. The Audit Committee shall operate as an independent expert advisory external oversight body. The General Assemblies shall approve the WIPO’s Audit Committee Terms of Reference upon recommendation by the Program and Budget Committee. These Terms of Reference shall be appended to the present Financial Regulations.”

AGENDA ITEM 9: Other Matters

27. The Audit Committee met with the Chairman of the Audit Committee of the World Meteorological Organization (WMO), General John J. Kelly Jr. In a subsequent meeting, the Chairman of the WIPO Audit Committee met with members of the WMO Audit Committee. In both meetings, briefings were given by the two Chairs on their respective Committees’ work and activities, and views were exchanged.

28. The next session of the Audit Committee is tentatively scheduled for July 16 to 19, 2007.

29. Subject to further discussion by the Audit Committee, the draft Agenda for the July 2007 session is anticipated to include:

1. The New Construction Project
2. The Desk-to-Desk Review
3. Internal Audit and Oversight
4. Follow-up on the review by the Working Group of the Program and Budget Committee of:
 - A. Review of the Terms of Reference of the WIPO Audit Committee
 - B. Review of the Internal Audit Charter
5. Draft WIPO Financial Regulations and Rules
6. Procurement
7. Other matters

[Annex follows]

Review of the Terms of Reference of the WIPO Audit Committee
as requested by the Working Group of the Program and Budget Committee,
document WO/PBC/WG/06/2, dated December 14, 2006

PROPOSED AMENDED TERMS OF REFERENCE

1. Preamble

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

2. Functions and Responsibilities

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

(a) *Promoting internal control* by:

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

(b) *Focusing assurance resources* by:

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

(c) *Overseeing audit performance* by:

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

(d) The Program and Budget Committee may from time to time request the Audit Committee to review or oversee particular activities, such as the New Construction Project and the WIPO desk-to-desk assessment, and any other major project.

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

3. Membership

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

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

The members of the Audit Committee shall select a Chair and Deputy Chair for an initial term of three years. In selecting the Chair, the Audit Committee members will be mindful of the requirements for the Chair to be present in Geneva from time to time between Audit Committee meetings.

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

The Audit Committee should corporately possess the following competencies:

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

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

4. Expenses

Expenses for members of the Audit Committee will be paid by WIPO in accordance with WIPO's financial rules and regulations.

5. Meetings and Quorum

The Audit Committee will meet regularly and at least every quarter in formal meeting. The Chair of the Audit Committee may convene additional meetings, if and when needed.

A minimum of five members of the Audit Committee, including the Chair or Vice-chair, are required to be present for a meeting of the Committee to be quorate.

The Audit Committee may invite officials of WIPO Secretariat or others to attend meetings.

6. Reporting and Review

The Audit Committee shall keep Member States informed of its work on a regular basis. In particular, following each of its formal meetings the Committee shall prepare a report for circulation to the Program and Budget Committee.

The Audit Committee shall review, at least every three years, the adequacy of its present terms of reference and resources, and where necessary propose changes to the Program and Budget Committee for consideration and approval.

The Terms of Reference and mandate of the Audit Committee shall be subject to periodic review and renewal by the General Assemblies.

7. Secretariat and Budget

Assistance shall be provided to the Audit Committee from the WIPO Secretariat on a part-time basis. This assistance shall be outside of the Internal Audit and Oversight Division of WIPO. Functions of such part-time Secretariat shall include logistical and administrative support. This would entail attending the Audit Committee meetings and preparing draft reports. Moreover, assistance of a professional staff for substantive work including research and background position papers, and others, as requested by the Audit Committee shall also be provided by the WIPO Secretariat.

The Audit Committee may where appropriate obtain independent third party expert advice.

In its biennial budget WIPO shall provide a specific program for the Audit Committee, providing for costs on an annual basis associated with at least four formal meetings of four days each and several information meetings, with appropriate Secretariat support.

8. Information Requirements

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

[End of Annex I, Annex II follows]

WIPO



WO/AC/4/1 Prov.
ORIGINAL: English
DATE: February 27, 2007

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Fourth Meeting
Geneva, March 26 to 29, 2007

DRAFT AGENDA

prepared by the Secretariat

1. The New Construction Project
2. The Desk-to-Desk Review
3. Internal Audit and Oversight
4. Methods of work of the WIPO Audit Committee
5. Examination of document A/41/10 (“Proposal on the establishment of a WIPO Audit Committee”)
6. Internal Audit Charter
7. Draft WIPO Financial Regulations and Rules
8. Procurement
9. Other matters

[End of Annex II and of document]

[Annex III follows]

ANNEX III

PROPOSED AMENDED TERMS OF REFERENCE OF THE WIPO
AUDIT COMMITTEE*

1. Preamble

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

2. Functions and Responsibilities

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

~~2. The Audit Committee of WIPO shall have the following terms of reference:~~

(a) *Promoting internal control* by:

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

(b) *Focusing assurance resources* by:

- ~~(i) Agreeing and approving the audit plans and arrangements for internal and external audit;~~
- ~~(ii) Encouraging liaison between the internal and external audit functions;~~
 - (i) Reviewing and monitoring the effectiveness of WIPO's internal audit function;
 - (ii) Exchanging information and views with the external auditor, including his audit plan;
 - (iii) Promoting effective coordination of activities between the internal and external audit function;

* Suggested additions to the original terms of reference of the WIPO Audit Committee are underlined and appear in red; suggested deletions are struck through; unchanged text is unmarked.

~~(iii)~~(iv) Confirming audit and assurance arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the General Assembly.

(c) ~~Monitoring~~Overseeing audit performance by:

(i) ~~Ensuring~~Monitoring the timely, effective and appropriate responses from management with regard to audit recommendations;

(ii) Monitoring the implementation of audit recommendations;

~~(iii)~~ Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations.

~~(iii)~~ Confirming that audit recommendations have been implemented;

~~(iv)~~ Monitoring the Secretariat's implementation of the recommendations made by the Joint Inspection Unit (JIU);

~~(v)~~ Overseeing the desk-to-desk review recommended by the JIU.

(d) The Program and Budget Committee may from time to time request the Audit Committee to review or oversee particular activities, such as the New Construction Project and the WIPO desk-to-desk assessment, and any other major project.

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

3. ~~The Working Group of the Program and Budget Committee further~~

~~— Recommends that the Audit Committee meet regularly, in general every quarter, and keep Member States informed of its work on a regular basis;~~

~~Recommends that the members of the Audit Committee have the qualifications and skills required, and be elected for a period of two years. Members should possess relevant qualifications and experience in auditing, accounting, risk management and other financial and administrative matters;~~

~~Recommends that the said members should have or acquire soon an understanding of the objectives of the Organization, its structure and its culture, and the relevant rules governing it;~~ 3. Membership

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

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

The members of the Audit Committee shall select a Chair and Deputy Chair for an initial term of three years. In selecting the Chair, the Audit Committee members will be mindful of the requirements for the Chair to be present in Geneva from time to time between Audit Committee meetings.

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

~~Recommends that the~~ The Audit Committee should corporately possess the following competencies:

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

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

4. Expenses

Expenses for members of the Audit Committee will be paid by WIPO in accordance with WIPO's financial rules and regulations.

5. Meetings and Quorum

The Audit Committee will meet regularly and at least every quarter in formal meeting. The Chair of the Audit Committee may convene additional meetings, if and when needed.

A minimum of five members of the Audit Committee, including the Chair or Vice-chair, are required to be present for a meeting of the Committee to be quorate.

The Audit Committee may invite officials of WIPO Secretariat or others to attend meetings.

~~Recommends that the Audit Committee shall have nine members and that they shall be selected as follows:~~

- ~~(a) Seven members shall be nominated by Member States and elected by the Program and Budget Committee. Expertise as well as geographical distribution should guide the selection process.~~
- ~~(b) One member shall be selected by the above mentioned seven members of the Audit Committee based on his/her qualifications as a senior oversight professional or senior manager in the United Nations system.~~

~~(e) — One member shall be selected by the above mentioned seven members of the Audit Committee based on his/her qualifications as a senior oversight professional or senior manager from outside of the United Nations system.~~

~~*Recommends that the Controller and the External and Internal Auditor of WIPO and any other person if required may attend meetings on the invitation of the Audit Committee. The WIPO Internal Audit Division shall provide support services to the Committee;*~~

~~*Recommends that the Chair of the Audit Committee be selected by the members of the Committee;*~~

6. Reporting and Review

The Audit Committee shall keep Member States informed of its work on a regular basis. In particular, following each of its formal meetings the Committee shall prepare a report for circulation to the Program and Budget Committee.

The Audit Committee shall review, at least every three years, the adequacy of its present terms of reference and resources, and where necessary propose changes to the Program and Budget Committee for consideration and approval.

The Terms of Reference and mandate of the Audit Committee shall be subject to periodic review and renewal by the General Assemblies.

~~— *Recommends to review the mandate, functioning and membership of the Audit Committee at the end of two years.*~~

7. Secretariat and Budget

Assistance shall be provided to the Audit Committee from the WIPO Secretariat on a part-time basis. This assistance shall be outside of the Internal Audit and Oversight Division of WIPO. Functions of such part-time Secretariat shall include logistical and administrative support. This would entail attending the Audit Committee meetings and preparing draft reports. Moreover, assistance from a professional staff shall be provided for substantive work including research and background position papers, and others, as requested by the Audit Committee, shall also be provided by the WIPO Secretariat.

The Audit Committee may where appropriate obtain independent third party expert advice.

In its biennial budget WIPO shall provide a specific program for the Audit Committee, providing for costs on an annual basis associated with at least four formal meetings of four days each and several information meetings, with appropriate Secretariat support.

8. Information Requirements

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

[Annex IV follows]

ANNEX IV

WIPO INTERNAL AUDIT CHARTER**

A. INTRODUCTION

1. This Charter constitutes the framework for the Internal Audit function¹ of the World Intellectual Property Organization (hereinafter referred to as “WIPO” or “the Organization”) and establishes its mission: to examine and evaluate, in an independent manner, WIPO’s control processes and to provide, recommendations for improvement, thus assisting management and staff in the effective discharge of their responsibilities. The purpose of this Charter is also to strengthen corporate governance in the Organization.

B. DEFINITION

2. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.²

C. MANDATE

3. The Internal Audit function provides the Management with systematic analyses, appraisals, recommendations, advice and information. Its objectives include endeavoring to ensure cost-effective control, and identifying means for improving efficiency, economy and rationalization of the internal procedures and use of resources, as well as ensuring compliance with WIPO’s Rules and Regulations and relevant General Assembly decisions, the applicable accounting standards and the Standards of Conduct of the International Civil Service, as well as best practice.³

D. AUTHORITY AND PREROGATIVES

4. The Director of Internal Audit (hereinafter referred to as “the Internal Auditor”) is responsible to the Director General and is part of the WIPO senior staff. The Internal Auditor enjoys operational independence in the conduct of his/her duties. He/she has the authority to initiate, carry out and report on any action, which he/she considers necessary to fulfil his/her mandate. The Internal Auditor has to accept requests for his/her services from the Director General, but he/she should be free to carry out any action within the purview of his/her mandate. The workplan of the Internal Auditor shall be based on a risk assessment, to be carried out at least annually, on which basis work would be prioritized. In this process, the

** originally Annex II of document A/41/11

¹ The Internal Audit function, in the context of the Internal Audit Charter, refers exclusively to the oversight functions of Internal Audit, Inspection and Investigation. Monitoring is undertaken by the Office of the Controller. Evaluation, defined as the systematic and impartial assessment of an activity, project, program, strategy, policy, theme, sector, operational area, institutional performance, etc., which focuses on expected and achieved accomplishments and aims at determining their relevance, impact, effectiveness, efficiency, and sustainability, is the subject of a policy framework outside this Charter.

² This is the official definition of Internal Auditing, as established by the Institute of Internal Auditors (IIA).

³ Conversely, External Audit refers to independent annual audits of an organization’s financial statements, performed by audit professionals. At WIPO, this function is performed according to the terms of reference described in Regulation 6 of the WIPO Financial Regulations and in the Annex thereto. WIPO’s External Auditor is appointed by the WIPO Assemblies for renewable periods of four years.

Internal Auditor shall take into account the comments of the Director General and Member States.

5. The Internal Auditor shall conduct internal audits in a professional, impartial and unbiased manner; conflicts of interest should be avoided. He/she will perform all audit work with due professional care and in accordance with best practice recommended by the Institute of Internal Auditors, which is accepted and applied by the UN system organizations.

6. The Internal Auditor shall be independent of all the programs, operations and activities he/she audits, to ensure impartiality and credibility of the audit work undertaken.

7. For the performance of his/her duties, the Internal Auditor shall have unrestricted, unlimited, direct and prompt access to all WIPO records, officials or personnel holding any WIPO contractual status and to all the premises of the Organization. The Internal Auditor shall have access to the Chair of the General Assembly.

8. The Internal Auditor shall be available to receive directly from individual staff members complaints or information concerning the possible existence of fraud, waste, abuse of authority, non-compliance with rules and regulations of WIPO in administrative, personnel and other matters or other irregular activities relevant to the mandate of the Internal Auditor. Relevant internal whistle-blowing policies and procedures shall be developed, established and applied in conjunction with this Charter.

9. The right of all staff to communicate confidentially with, and provide information to the Internal Auditor, without fear of reprisal, shall be guaranteed by the Director General. This is without prejudice to measures under Staff Rules and Regulations, where information is transmitted to the Internal Auditor with knowledge of its falsity, or with willful disregard of its truth or falsity.

10. The Internal Auditor shall respect and keep the confidential nature of any information gathered or received that is applicable to an audit, and shall use such information only in so far as it is necessary for the performance of an audit.

E. DUTIES AND MODALITIES OF WORK

11. The Internal Auditor contributes to the efficient management of the Organization and the accountability of the Director General to the Member States.

12. To carry out his/her mandate, the activities of the Internal Auditor shall encompass in particular the undertaking of management audits, performance audits, financial audits, compliance audits, value-for-money audits, inspections and investigations.

13. To effectively implement WIPO's Internal Audit function, the Internal Auditor shall:

- (a) Establish long- and short-term flexible audit plans, in coordination with the External Auditor, using risk-based methodology, to include any risks or control issues identified.
- (b) Prepare, publish, disseminate and maintain an internal audit manual, which shall include the terms of reference of the Internal Audit function and a compilation of audit procedures.

- (c) Establish and maintain follow-up systems to determine whether effective action has been taken, following the Internal Auditor's recommendations, within a reasonable time, and periodically report on situations where adequate, timely corrective action has not been implemented.
- (d) Liaise and coordinate with the External Auditor and monitor the follow-up of their recommendations.
- (e) Liaise and cooperate with the Internal Audit services and, more generally, the Oversight services of other Organizations within the United Nations system and of Multilateral Financial Institutions, and represent WIPO in relevant inter-agency meetings.
- (f) Develop and maintain a quality assurance/improvement program covering all aspects of Internal Audit, including periodic internal and external review and ongoing self-assessment, such as tracking time taken to produce reports.

14. In particular, the Internal Auditor shall assist the Organization by performing the following:

- (a) Review and appraise the reliability, effectiveness and integrity of the Organization's internal control mechanisms.
- (b) Review and appraise the adequacy of organizational structures, systems and processes to ensure that the results are consistent with the objectives established.
- (c) Review and appraise systems aimed at ensuring compliance by WIPO staff with WIPO's Rules, Regulations and established internal policies.
- (d) Review and appraise the effective, efficient and economical use, and the safeguarding of human, financial and material resources of the Organization.
- (e) Determine the extent to which assets are accounted for and safeguarded from loss.
- (f) Identify and evaluate significant exposure of the Organization to risk and contribute to the improvement of risk management.
- (g) Undertake, when required, any investigation pertaining to cases of alleged wrongdoing or malfeasance falling within the mandate of the Internal Auditor.
- (h) Undertake *ad hoc* inspections to identify vulnerable areas and malfunctions.
- (i) Ensure completeness, timeliness, objectivity and accuracy in the reporting of internal audits, investigations and inspections.
- (j) Provide support services to a WIPO Audit Committee.

F. REPORTING

15. At the end of each audit, an audit report shall be issued, which shall present the objectives, scope, methodology, findings and conclusions of the audit, and include, if applicable, recommendations for improvements concerning the audited program or activity.

16. The draft audit report shall be presented to the program manager directly responsible for the program or activity that has been the object of the audit, who shall be given the opportunity to respond within the term provided therein.

17. The final internal audit reports shall include any relevant comments from the managers concerned on the facts established within the audit report and, if applicable, on the recommended plans of action, as well as on any timetable established for implementation purposes. Should the Internal Auditor and the program manager be unable to agree on the facts evidenced in that draft audit report, the final audit report shall reflect the opinion of the

Internal Auditor. The managers concerned shall have the opportunity to comment on the report and the Internal Auditor shall have the opportunity to reply to the comments.

18. The Internal Auditor shall submit the final internal audit reports to the Director General, copied to the Audit Committee. The External Auditor shall also receive a copy, along with any supporting documentation. Permanent Representatives of Member States to WIPO or their designates can read final internal audit reports in the Internal Auditor's office.

19. The Internal Auditor may also issue audit communications to any concerned manager for matters of a routine nature, which do not necessitate formal reporting.

20. The Director General is responsible for ensuring that all recommendations made by the Internal Auditor are responded to promptly, indicating actions taken regarding specific report findings and recommendations.

21. The Internal Auditor shall present, on an annual basis, a report to the Director General, regarding the implementation of recommendations made by the External Auditor.

22. The Internal Auditor shall make a presentation on a regular basis on his/her activities to the Program and Budget Committee.

23. The Internal Auditor shall present, on an annual basis, a summary report to the Director General, with a copy to the External Auditor of his/her activities including the orientation and scope of such activities, the schedule of work undertaken and progress on the implementation of prioritized recommendations contained in his/her reports. This summary report shall be presented to the WIPO General Assembly as submitted by the Internal Auditor. Comments the Director General may deem appropriate may be submitted in a separate report.

When applicable, the annual report shall include the following:

- (a) A description of significant problems, abuses and deficiencies relating to the administration of the Organization in general, or a program or operation in particular, disclosed during the period;
- (b) A description of all final recommendations for corrective action made by the Internal Auditor during the reporting period relative to the significant problems, abuses or deficiencies identified;
- (c) A description of all recommendations which were not approved by the Director General, together with his reasons for not doing so;
- (d) An identification of each significant recommendation in previous reports on which corrective action has not been completed;
- (e) A description and explanation of the reasons for any significant revised management decision made during the reporting period;
- (f) Information concerning any significant management decision with which the Internal Auditor is in disagreement;
- (g) A summary of any instance where information or assistance requested by the Internal Auditor was refused;
- (h) A summarized version of the report submitted by the Internal Auditor to the Director General regarding the implementation of recommendations made by the External Auditor.

In addition, the Internal Auditor shall comment on the scope of his activities and the adequacy of resources for the purpose intended.

G. RESOURCES

24. In presenting Program and Budget proposals to the Member States, the Director General shall take into account the need to ensure the operational independence and the necessary resource requirements to ensure the effective functioning of the Internal Auditor and his/her capacity to achieve the required objectives of his/her mandate. The allocation of resources to the Internal Auditor shall be clearly identified in the Program and Budget proposal.

25. The Director General, in consultation with the Internal Auditor, will ensure that the WIPO Internal Audit function comprises professional staff, appointed in accordance with WIPO staff Rules and Regulations, with sufficient skills, experience and professional knowledge, and promote continuing professional development to meet the requirements of this Charter.

H. APPOINTMENT AND DISMISSAL OF THE INTERNAL AUDITOR

26. The Internal Auditor should be a person with high qualifications and competence in auditing. The recruitment of an Internal Auditor shall be based on an open, transparent international selection process.

27. The appointment, replacement or dismissal of the Internal Auditor shall be formally made by the Director General, taking into account the advice of the Audit Committee and the Coordination Committee. The Internal Auditor will have a fixed term of four years, renewable on the recommendation of the Audit Committee, for an additional term of four years. He/she would not be eligible for any further employment in WIPO.

I. REVISION CLAUSE

28. This Charter shall be subject to revision two years after its adoption.

[End of Annex II and of document]

[End of Annex IV and of document]