



**Internal Oversight Division**

Reference: IA 2018-05

**Audit Report**

Audit of Funds-in-Trust Managed by WIPO

February 11, 2019

**TABLE OF CONTENTS**

**LIST OF ACRONYMS..... 3**

**EXECUTIVE SUMMARY..... 4**

**1. BACKGROUND..... 5**

**2. AUDIT OBJECTIVES..... 7**

**3. AUDIT SCOPE AND METHODOLOGY ..... 8**

**4. AUDIT RESULTS - POSITIVE DEVELOPMENTS ..... 8**

**5. OBSERVATIONS AND RECOMMENDATIONS ..... 9**

    (A) GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROLS..... 9

        (i) Review and Alignment of Support Costs..... 9

        (ii) Risk Management..... 12

        (iii) Inactive Fund-in-Trust..... 12

        (iv) Evaluations of Funds-in Trust with Lessons Learned ..... 12

    (B) REPORTING OF FUNDS-IN-TRUST ACTIVITIES..... 13

        (i) Formulation and Reporting of FIT Work plan activities ..... 13

        (ii) Web visibility ..... 14

        (iii) Gender mainstreaming ..... 14

**ANNEXES..... 17**

**LIST OF ACRONYMS**

<b>DPPF</b>	Department of Program Planning and Finance
<b>ER</b>	Expected Result
<b>ERD</b>	External Relations Division
<b>ERM</b>	Enterprise Risk Management
<b>EU</b>	European Union
<b>FITs</b>	Funds-in-Trust
<b>FRR</b>	Financial Regulations and Rules
<b>HRMD</b>	Human Resources Management Department
<b>IIA</b>	Institute of Internal Auditors
<b>IOD</b>	Internal Oversight Division
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>JPO</b>	Junior Professional Officer
<b>MoUs</b>	Memoranda of Understanding
<b>OI</b>	Office Instruction
<b>PPBD</b>	Program Performance and Budget Division
<b>RBM</b>	Results Based Management
<b>UN</b>	United Nations
<b>UNFIP</b>	United Nations Fund for International Partnerships
<b>WIPO</b>	World Intellectual Property Organization

## EXECUTIVE SUMMARY

1. The World Intellectual Property Organization (WIPO) has established long-term relationships, through Memoranda of Understanding (MoUs), with a number of donor countries and Organizations. Under these MoUs, the donors provide voluntary contributions (revenue) to finance technical assistance and human capacity building projects in developing countries and countries with economies in transition.
2. Whilst acknowledging that the Funds-in-Trust (FIT) resources, considered as extra-budgetary resources, represent 2.5 per cent and 2.7 per cent of WIPO's total revenue in 2016 and 2017 respectively, their contribution to various Sectors in achieving Strategic Goals and Expected Results (ER) is generally regarded as positive and significant. These FITs permit WIPO to further support its Member States through concrete and measurable actions. From 2016 to September 2018, a total of 28.5 million Swiss francs had been expended through FITs.
3. There are a number of positive developments on the management and administration of FITs. For instance, there is generally a high level of adherence to WIPO's Financial Regulations and Rules (FRR), provisions in respective MoUs, and other internal controls related to administrative activities.
4. The Internal Oversight Division (IOD) notes that relevant stakeholders need to work collaboratively with donors with a view to gradually align existing support costs rates with the rate set out in the Policy on the Management of Voluntary Contributions issued in 2015 and revised in 2017. This will ensure compliance with organizational policies.
5. Further, whereas the Policy on the Management of Voluntary Contributions states that FIT accounts with no activity over 12 months should be systematically closed, IOD notes that one FIT account opened prior to the issuance of the policy has not had any financial or programmatic activities for nearly a decade but is yet to be closed. Internal discussions are being held, to identify the measures needed to address this condition. IOD encourages Management to take appropriate and timely actions and engage with the donor in this regard.
6. In addition, the Organization needs to assess the need for and value of conducting Evaluations following completion and closure of FIT, including reviewing and aligning the related provisions of the Office Instruction (OI) on WIPO Policy on the Management of Voluntary Contributions with the current practice.
7. Finally, the risk management process of the FITs can be further strengthened through collaborative work among stakeholders with the support of the Office of the Controller, to ensure that risks are timely identified, and appropriate mitigation strategies devised. In addition, incorporating gender aspects and perspectives in the FIT work plan, implementation and reporting would further support the Organization's gender mainstreaming efforts.