

# WIPO



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## ASSEMBLIES OF THE MEMBER STATES OF WIPO

### Forty-Second Series of Meetings Geneva, September 25 to October 3, 2006

#### REPORT ON INTERNAL OVERSIGHT

*Document prepared by the Secretariat*

1. The WIPO Internal Audit Charter (document A/41/11, Annex II) was approved by the Assemblies of Member States of WIPO at their 41<sup>st</sup> series of meetings, in September 2005 (document A/41/17, paragraph 194 (iii)).
2. Paragraph 23 of the Charter requires the Director of Internal Audit (referred to in the Charter as the “Internal Auditor”) to present, on an annual basis, a summary report of his activities to the Director General, with a copy to the External Auditor. The summary report “shall be presented to the WIPO General Assembly as submitted by the Internal Auditor. Comments that the Director General may deem appropriate may be submitted in a separate report.”
3. The Annex to this document contains the summary report on WIPO’s Internal Oversight Activities during the period July 1, 2005 to June 30, 2006, as prepared by the Senior Internal Auditor and Acting Director, Internal Audit and Oversight Division (IAOD).
4. The Director General has taken due note of the summary report.
5. *The Assemblies of the Member States of WIPO are invited to note the contents in this document and the Annex thereto.*

[Annex follows]

ANNEX

SUMMARY REPORT TO THE DIRECTOR GENERAL  
ON WIPO'S INTERNAL OVERSIGHT ACTIVITIES

July 1, 2005 - June 30, 2006

prepared by the Senior Internal Auditor and Acting Director,  
Internal Audit and Oversight Division (IAOD)

I. BACKGROUND

1. The Internal Audit and Oversight Division (IAOD) was established in May 2000. Its original mandate included WIPO's internal audit and evaluation functions. The Division also informally acted as a focal point for investigation and inspection. Following the approval of the WIPO Internal Audit Charter by the WIPO Assemblies in September 2005, investigation and inspection were explicitly incorporated into IAOD's mandate.

2. IAOD's objective is to ensure the effective functioning of the internal oversight mechanisms at WIPO, comprising internal audit, evaluation, investigation and inspection. Its task is to support management in assessing and improving the efficiency and effectiveness of WIPO's risk management, internal control and procedures, governance processes, and program delivery.

II. INTERNAL OVERSIGHT ACTIVITIES

Internal Oversight

(a) Internal Audit

*Audit Charter*

3. The development of a WIPO Internal Audit Charter was initiated by IAOD. After an internal review process, a first version of the Charter (document WO/PBC/8/4) was submitted to the Program and Budget Committee (PBC) at its eighth session, held in April 2005. The PBC decided to refer discussions on the proposed Charter to an open-ended PBC Working Group.

4. The PBC Working Group met on July 14 and 15, 2005. Following discussions, the proposed Charter was enhanced and reinforced considerably, and the Working Group recommended its approval to the WIPO General Assembly. The WIPO Internal Audit Charter (document A/41/11, Annex II) was approved by Member States at the WIPO Assemblies in September 2005.

5. Following Member States' approval, a number of initiatives to implement the Charter were taken immediately. A first step was the preparation, by IAOD, of a document to integrate the Charter into the WIPO Financial Regulations as a new annex. The draft revised text of the Organization's Financial Regulations and Rules will be submitted to the first session of the PBC in 2007.

6. Furthermore, an international selection process for the position of Director, IAOD, was launched in December 2005 in order to comply with the requirements contained in section H of the Charter (it should be noted that the Acting Director of IAOD was directly appointed to that position, *ad interim*, in the year 2000). The number and quality of applications received by the initial February 2006 deadline were considered unsatisfactory. As a result, the competition was re-opened and the deadline extended until early May 2006. It is expected that the recruitment process will be completed by the end of 2006, taking due account of the advice from the WIPO Audit Committee and Coordination Committee.

7. The Charter also requires the establishment of long- and short-term audit plans, using risk based methodology. A risk-based evaluation plan was developed during the period under review on the basis of an *ad hoc* analysis of risk. However, such a plan cannot be developed for internal audit until a systematic and structured organization-wide risk management system (ERM) is put in place.

8. Finally, the Charter also requires IAOD to provide support services to the WIPO Audit Committee. Accordingly, during the period under review, IAOD was responsible for all administrative matters relating to three meetings of the Audit Committee and transmission of Audit Committee Reports to Member States. In addition, IAOD ensured Secretariat support during Audit Committee meetings.

#### *Audits*

9. During the period under review, an audit of the WIPO (closed) Pension Fund was undertaken. As a result of this audit, substantial improvements were made in the use of electronic means for calculating entitlements, which will enable error-free statements and, consequently, workload reduction.

10. Work also continued on the drafting of an Internal Audit Manual.

#### *Consulting*

11. In line with the definition and mandate of Internal Audit contained in the Internal Audit Charter (sections B and C), during the period under review, IAOD provided advice on various issues concerning internal control procedures, cost-effectiveness and compliance with the relevant regulations and rules of the Organization.

#### (b) Investigation/Inspection

12. Following the adoption of the Charter, IAOD was requested to undertake a number of investigations. In view of the lack of resources, caused by the delay in filling the post of Investigator, priority was given to the most sensitive cases. Accordingly, one investigation was completed during the first semester of 2006. A second investigation started in June.

13. In accordance with the WIPO Internal Audit Charter, work on the establishment of whistle-blowing policies and procedures was initiated. An internal review of the draft policies and procedures is expected to take place during the third quarter of 2006. In addition, the preparation of a detailed framework for the WIPO investigation function began, and will be completed in cooperation with the Investigator, once appointed.

(c) Evaluation

*Program Performance Reports and Program Implementation Overviews*

14. Within the framework of WIPO's Results-Based Management (RBM), reports on the Organization's performance are prepared by IAOD on an annual basis for submission to Member States at the WIPO Assemblies (Program Performance Reports). The reports provide a comprehensive account of the Organization's actual performance based on the program results frameworks defined in the relevant Program and Budget.

15. In addition to the Program Performance Report, a Program Implementation Overview<sup>1</sup> is prepared for the first six months of any given year, summarizing the main activities undertaken during the period immediately preceding the WIPO Assemblies.

16. During the period under review, the Program Performance Report for the biennium 2004-2005 was prepared (document A/42/2), based on program managers' submissions. In addition, work began on the preparation of the Program Implementation Overview, January 1 to June 30, 2006 (document A/42/3).

*WIPO Evaluation Policy*

17. The WIPO Internal Audit Charter provides the policy framework for the oversight functions of internal audit, inspection and investigation.<sup>2</sup> To ensure that all WIPO oversight functions, including evaluation, are governed by adequate guiding principles, work began on the development of a WIPO Evaluation Policy. However, as evaluation differs significantly from the other oversight functions in that evaluation is as much a learning as an accountability tool, aimed primarily at improving the performance and impact of WIPO activities, the development of the Policy requires a broad and inclusive consultative approach. In this context, an internal consultation process on the draft Policy is currently ongoing.

18. The Policy will provide a comprehensive framework for planning and conducting evaluations as well as using value-added evaluative information for decision-making processes for the improvement of present and future activities, within WIPO's RBM system.

19. The Policy has been drafted in accordance with international best practice, taking due account of the Norms and Standards for Evaluation in the UN System, adopted by the United Nations Evaluation Group (UNEG), at its Annual Meeting in April 2005, and will bring WIPO's evaluation practices into line with other organizations in the UN system. The Policy is expected to be submitted for the approval of WIPO Member States in 2007.

*Strategic Workplan for the Evaluation Function for the biennium 2006-2007.*

20. Pending finalization of the WIPO Evaluation Policy, a Strategic Workplan for the WIPO Evaluation Function for the 2006-2007 biennium was prepared and submitted to senior management, which detailed the main objectives and strategies for the function in the biennium. In addition, the workplan proposed a biennial evaluation plan for independent

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<sup>1</sup> The Program Implementation Overview provides information on activities only. It should not therefore be considered part of WIPO's Results-Based Management System.

<sup>2</sup> Document A/41/11 footnote 1.

evaluations to be undertaken in 2006-2007. For the first time, the evaluation plan was elaborated on the basis of an *ad-hoc* risk assessment, to ensure the relevance and timeliness of evaluations. It was decided, however, to postpone the implementation of the evaluation plan until approval of the WIPO Evaluation Policy.

*Evaluation of Development Cooperation Activities.*

21. The Economic Development Sector (EDS), in cooperation with IAOD, organized a workshop on Evaluation and Impact Analysis, in March, in Geneva, with the participation of international evaluation experts from the UNDP, the Swiss agency for Development and Cooperation (SDC), the World Bank, and Bradford University (UK). The aim of the workshop was to gain an insight into international development evaluation best practices and to receive input on draft evaluation guidelines and forms.

22. As a result of the workshop, the external evaluation experts made a series of recommendations designed to guide WIPO's evaluation activities. In particular, they stressed the need for: strengthening the monitoring and evaluation systems at WIPO; promoting the principle that all activities where resources are invested are evaluable and should be evaluated; development of an adequate evaluation framework at WIPO in line with other international organizations, through the adoption and effective implementation of the WIPO Evaluation Policy; promoting an organization-wide evaluation culture; involving Member States in monitoring and evaluation processes; and, training WIPO staff and partners (i.e., Member States) in evaluation.

*New proposed Mechanism to further involve Member States in the preparation and follow-up of the WIPO Program and Budget*

23. The new proposed mechanism to further involve Member States in the preparation and follow-up of the WIPO Program and Budget (document A/42/9), considerably strengthens Member States' role in the substantive review of past program performance, through the review of Program Performance Reports in sessions of the Program and Budget Committee, prior to the preparation of the WIPO Program and Budget.

Audit Committee

24. The WIPO General Assembly in September 2005 approved the establishment of the WIPO Audit Committee (document A/41/10 "Proposal on the Establishment of a WIPO Audit Committee"). Shortly thereafter, the Secretariat started preparations for the designation of the seven members of the Committee, to be made during the ninth session of the Program and Budget Committee, in January 2006. At that session, the following members were elected to the Audit Committee: Mr. Gong Yalin (China); Mr. Khalil Issa Othman (Jordan); Mr. Pieter Zevenbergen (Netherlands); Mr. Akeem Babatunde Ajibola Oladele (Nigeria); Mr. Igor N. Shcherbak (Russian Federation); Mr. Johnson Akuetey (Togo); and, Mr. Geoffrey Drage (United Kingdom). The two remaining members of the Audit Committee, one to come from within the UN system and one from outside of the UN system, were elected by the seven newly-elected members of that Committee at their preliminary meeting on February 9, 2006. At that meeting, the Committee elected Mr. George Haddad (Lebanon) and Mr. Gian Piero Roz (Italy).

25. The first meeting of the Audit Committee took place from April 10 to 12, 2006. Mr. Khalil Issa Othman was elected as Chair. At the meeting, the members of the Committee considered and discussed the following issues: working methods and procedures of the work of the Committee; status of the construction of the new WIPO Building, including an examination of the Charter for the WIPO New Construction Project; and, the Terms of Reference for the Desk-to-desk Review of WIPO's Human and Financial Resources. The Committee's observations, conclusions and recommendations are contained in its report (document WO/AC/1/2). The Committee decided that its second meeting would take place from July 5 to 7, 2006. The third meeting is expected to be held in October 2006.

#### External Auditors

26. Cooperation and coordination with the External Auditor continued for the preparation and/or follow-up of external audits. As in previous biennia, the External Auditor had suggested a number of audits that could be undertaken by IAOD to facilitate the work of the External Auditor, including an audit of the WIPO (closed) Pension Fund and of the distribution of fees in the framework of the Madrid and Hague Agreements. However, due to severe resource constraints, only the former could be undertaken by IAOD. Accordingly, the External Auditor had to find and allocate additional resources for the above-mentioned audit of the distribution of fees.

#### Joint Inspection Unit (JIU)

27. In the context of the JIU Report *Oversight Lacunae in the United Nations System* (document JIU/REP/2006/2), IAOD contributed to a survey undertaken by the JIU, the primary purpose of which was to establish whether internal mechanisms were in place to: review allegations of wrongdoing against officials from the highest echelons of the organizations; assess the adequacy of any such mechanisms that did exist; and, to determine where the final responsibility for the outcome of such cases should lie.

#### Comprehensive review of Governance and Oversight within the UN

28. The Comprehensive Review of Governance and Oversight within the UN System, is an outcome of the World Summit held in October 2005 and relates to "Secretariat and Management Reform", as contained in the Resolution adopted by the UN General Assembly (A/RES/60/1, paragraph 164 (b)).

29. A Steering Committee nominated by the UN Secretary General, and the company selected to carry out the review, held a number of meetings with representatives of various UN specialized agencies. In this context, IAOD attended meetings held in Geneva for Geneva-based UN organizations, and participated in meetings with the selected company in connection with its review of WIPO.

### III. NETWORKING

30. During the period under review, IAOD continued its active collaboration and networking with other international organizations.
31. IAOD participated in the 36<sup>th</sup> meeting of Representatives of Internal Audit Services (RIAS) of International Organizations and Multilateral Financial and Economic Institutions, held in November 2005, in Luxembourg, hosted by the European Investment Bank (EIB).
32. IAOD also attended the 7<sup>th</sup> Conference of International Investigators organized by the European Bank for Reconstruction and Development (EBRD), in June 2006, in London.
33. IAOD continued its active participation in the United Nations Evaluation Group (UNEG), an inter-agency forum for evaluation professionals in the UN system. The next Annual Meeting of UNEG will be co-hosted by WIPO and other Geneva-based UN agencies in Geneva, in April 2007.

### IV. RESOURCES

34. IAOD continued, during the period under review, to carry out its expanded mandate with very limited human and financial resources. The implementation of the WIPO Internal Audit Charter, including the servicing of the WIPO Audit Committee, the increased workload in respect of investigations, and the steps taken to strengthen the WIPO evaluation framework, constituted additional tasks, which had to be absorbed with the existing resources (one Senior Internal Auditor and Acting Director, one Senior Evaluation Officer and one Secretary/Evaluation Assistant).
35. The United Nations Joint Inspection Unit (JIU) Report “Review of Management and Administration in WIPO: Budget, Oversight and Related Issues” (document JIU/REP/2005/1) recommended, *inter alia*, that the WIPO Assemblies take steps towards “enhancing the staffing of the [Internal Audit and Oversight] Division with the necessary professionals qualified to carry out its mandate”. As a follow up to that recommendation, the positions of Director of Internal Audit, Internal Auditor and Investigator were advertised during the course of 2005. The positions are expected to be filled by the end of 2006.
36. Annex VII to the JIU report on *Oversight Lacunae* (JIU/REP/2006/2) includes a benchmarking of United Nations organizations and specialized agencies in terms of internal oversight budgets as a percentage of overall budgets, with an indication whether the resulting ratio falls within or outside the suggested JIU range. WIPO’s internal oversight budget ratio was estimated at 0.25 per cent and hence below the desired target of around 0.70 per cent. The ratio of 0.25 already took into account the three vacant IAOD posts, which are expected to be filled before the end of 2006.
37. The Program and Budget for the 2006-2007 biennium does not foresee a strengthening of the evaluation function in the biennium.
38. The Internal Audit Charter requires the Internal Auditor’s comments on the adequacy of resources allocated to internal oversight within the Organization. It is the view of the Acting Director of IAOD that to ensure the effective functioning of the internal oversight functions, and to enable IAOD to achieve the objectives of its mandate, the allocation of resources

commensurate with the mandated tasks must be ensured. Such resources should not only correspond to an increased number of posts, but also to a substantially higher level of non-staff resources, enabling the contracting of relevant specialists, development and use of computer aided audit and investigation techniques, and the establishment and implementation of appropriate risk-based work plans.

39. Moreover, with the aim of ensuring the independence of WIPO's internal oversight function, and in line with current discussions on the independence, including financial, of the UN Office of Internal Oversight (UNOIOS), consideration should be given to the possibility of enabling the Director of IAOD to propose IAOD's budget directly to Member States for approval, on the basis of an agreed methodology for estimating resources required to enable IAOD to mitigate risks, to ensure adequate internal controls and to ascertain compliance with rules and procedures.

## V. CHALLENGES

40. One of the main challenges for IAOD is to promote a culture of accountability and learning within WIPO, and to foster an understanding that oversight is a shared responsibility.

### *Audit*

41. In the area of audit the most immediate challenge will be to fulfill internal audit requirements for the construction of the new WIPO administrative building, as foreseen in the Charter for the New Construction, by identifying, on a temporary basis, individuals with relevant auditing skills. In this respect, coordination with the External Auditor and cooperation with audit services of other organizations within the UN system will be essential.

42. In the longer term, IAOD should prepare for a Quality Assurance Assessment of Internal Audit, which should be undertaken at least once every five years in order to comply with best practice recommended by the Institute of Internal Auditors (IIA) for the Professional Practice of Internal Auditing. As the WIPO Internal Audit Charter became operational in 2005, such quality assessment should take place before October 2010.

### *Inspection/investigation*

43. Concerning investigation, the issuing of a detailed investigation mandate, developed around the "Uniform Guidelines for Investigations", endorsed in 2003 by the Conference of International Investigators, along with the implementation of whistle-blowing and anti-fraud awareness policies are the most immediate challenges.

### *Evaluation*

44. The main challenge regarding evaluation in the immediate future will be the finalization of the WIPO Evaluation Policy for approval by Member States in 2007. The Policy would be the first critical step in enhancing the conduct and use of evaluations within WIPO, promoting an evaluation culture, implementing evaluation capacity building activities, and involving all stakeholders in the evaluation process, including Member States. In addition, a biennial evaluation plan should be developed in accordance with the Policy, clearly specifying the independent evaluations to be undertaken by WIPO during a given biennium.

45. To enhance the usefulness of the Program Performance Reports in relation to the proposed new mechanism for the preparation and follow-up of the WIPO Program and Budget, steps should be taken to improve the quality of evaluative program performance assessments in the report. This will require: (a) a further improvement of the results frameworks in the WIPO Program and Budgets; (b) an enhancement of program monitoring systems to capture information on results; and, (c) enhanced use of both self- and independent evaluations by all programs to determine the outcome and impact of WIPO's activities.

[End of Annex and of document]