

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION  
GENEVA

**WIPO AUDIT COMMITTEE**  
**Tenth Meeting**  
**Geneva, October 6 to 9, 2008**

REPORT

*adopted by the WIPO Audit Committee*

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## INTRODUCTION

1. The tenth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from October 6 to 9, 2008. Present were Messrs. Khalil Issa Othman (Chair), Pieter Zevenbergen (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele and Igor Shcherbak.
2. The Committee adopted the draft Agenda with modifications (Annex I).
3. A list of documents presented to the Committee is attached as Annex II.
4. The Chair briefed the Committee on the Forty-fifth series of meetings of the Assemblies of the Member States of WIPO, held from September 22 to 30, 2008, and reported on the appointment by acclamation of Mr. Francis Gurry as the new Director General of WIPO. The statement made by the Chair of the Audit Committee to the General Assembly is attached as Annex III.
5. The Chair also briefed the Committee on a meeting on September 19, 2008, with Mr. Kamil Idris, former Director General of WIPO, at Mr. Idris’ request, and a meeting with Mr. Francis Gurry, Director General-elect, on September 30, 2008.

## AGENDA ITEM 1

### MEETING WITH THE DIRECTOR GENERAL

6. The Committee was pleased to meet with Mr. Francis Gurry, Director General of WIPO. The Director General gave a presentation on his tentative plans for strategic re-alignment at WIPO, which was followed by extensive and thorough discussions of those plans, as well as on other items on the Committee’s Agenda.
7. The Committee was informed that the Director General will hold informal consultations with Member States on October 21 and October 30, 2008, to present his plans and to receive their response respectively. The Committee was also advised that the next session of the Program and Budget Committee will take place on December 10 and 11, 2008, to be followed by a meeting of the Assemblies of the Member States of WIPO on December 12, 2008.
8. The Committee is planning to meet again with the Director General at its next meeting, to be held during the first week of December 2008. At that meeting, the Committee will, *inter alia*, apprise itself of the plans of the Director General in light of the informal consultations with Member States referred to in paragraph 7 above.

## AGENDA ITEM 2

### DESK-TO-DESK REVIEW

9. At its thirty-fourth session (September 25 to October 3, 2007), the WIPO General Assembly endorsed the Committee's recommendation (document WO/GA/34/16, paragraph 34) made at the Committee's sixth meeting (document WO/AC/6/2, paragraph 24), namely that:

- “(a) The Secretariat develops a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC's Final Report, and as recognized by the Secretariat in its report (WO/GA/34/12); and
- (b) The Secretariat should prepare a road map for the implementation of the program showing the organizational and resourcing requirements.”

10. At its thirty-sixth session (September 22 to 30, 2008), the General Assembly had before it reports of the Committee's last three meetings (compiled in General Assembly document WO/GA/16/9), which gave a detailed narrative of the main observations, comments and recommendations relating to this topic. The statement made by the Chair of the Committee to the General Assembly, which is attached as Annex III to this report, referred, *inter alia*, to the following matters:

- (a) The Secretariat had successively pointed to a number of constraints affecting whether real progress could be made on establishing and implementing an integrated program for organizational improvement, including the transition period running up to the appointment of a new Director General, and a lack of competencies and skills in the Secretariat.
- (b) The Committee had been aware of the difficulties and constraints faced by the Secretariat during the transition period.
- (c) The Committee realized that the Organization was now at a new juncture. A new Director General was assuming the leadership of this important UN agency. The background for reform had been set through the recommendations made by the external consultant, PricewaterhouseCoopers (PwC), the response of the Secretariat, Member States' positions, and the Audit Committee's findings and recommendations. The Committee was looking forward to meeting with the new Director General and listening to his plans.

11. For this Agenda item, the Committee was presented with two documents, as listed in Annex II of this report. No progress reports were provided by the Secretariat on pending issues (see reports of the seventh, eighth and ninth meetings of the Committee, compiled in General Assembly document WO/GA/36/9). However, a number of those issues and future actions thereon were discussed with the Director General, and the Committee expects to consider these matters further at its next meeting in December 2008.

### AGENDA ITEM 3

#### REVIEW OF THE WORK OF THE INTERNAL AUDIT AND OVERSIGHT DIVISION (IAOD)

12. The documents presented to the Committee under this Item appear in Annex II of this report.

13. Information and explanations were provided to the Committee by Mr. Nick Treen, Director, Internal Audit and Oversight Division (IAOD).

14. The Committee also met with Mr. Edward Kwakwa, Legal Counsel, and Mrs. Joan Connors, Senior Investigation Officer, IAOD, together with Mr. Treen, and discussed extensively matters relating to recent investigation cases within IAOD's mandate. The Committee also discussed these matters with the Director General. The Committee requested that it be kept informed of developments therein for the Committee's review.

15. The Committee reviewed pending issues and recommendations from its ninth meeting (document WO/AC/9/2, paragraphs 8 to 17) and sought clarification on follow-up action.

#### Observations:

(a) Divisional Plans and Resource Utilization

Regarding IAOD resource utilization, the Committee observed that the documents relating to Divisional planning did not include information beyond 2008, and that both the planning documents and the report on resource utilization gave no clear linkage of IAOD activities to Organizational priorities and high risk areas, and did not identify Divisional outputs and outcomes. The Committee further observed that the IAOD Evaluation Section workplan for 2008 did not present specific topics or projects. It was merely a framework for broad areas for future evaluation work.

(b) Core and Non-core Activities within IAOD

(i) *Program Performance Report*

The Committee was informed by the Director of IAOD that he had completed a draft Program Performance Report for the 2006/07 biennium. On the other hand, the Committee was informed by the Chief Financial Officer (Controller) of the recent creation of a Program Management and Performance Section within his Department which will have the responsibility, *inter alia*, for implementation of a Results-based Management system at WIPO, and eventually the possibility for preparation of the Program Performance Report. The Committee decided to review the issue of the assignment of responsibility of the Program Performance Report at its next meeting in December 2008.

(ii) *Ethics System*

The Director of IAOD informed the Committee that the Division's involvement in setting up an ethics system at WIPO will remain as a review and support activity. With the completion of oversight reviews of the Financial Disclosure and Declarations Policy and the Integrity and Ethics system, the Division's involvement will be limited to providing advice to the Office of the Director General, the Office of the Legal Counsel and the Human Resources Management Division. However, the Committee was not advised as to which department had been assigned responsibility for leading this task.

(c) Establishment of a Proper Internal Control System at WIPO

The Committee impressed on the Director of IAOD the importance of the establishment of a proper internal control system by WIPO management, and was advised that IAOD will begin work on an internal control gap assessment study at the end of 2008, to be completed in early 2009. The important issue of the vacuum of an internal control system at WIPO was also discussed with the Director General.

(d) Procedure in Audit and Investigation Cases involving the Director General and/or Other High-ranking Officials

Concerning refinement of the Internal Audit Charter to clarify procedures in cases involving the Director General and/or other high-ranking officials, the Committee was advised that language to cover such cases had been included in a draft WIPO Investigation Policy. The Committee decided to review this matter further at its next meeting in December 2008.

(e) Internal Audit Reports

The Committee decided to review, at its next meeting in December 2008, the two internal audit reports presented to the Committee (IAOD Audit Report No. IA/01/2008: "Audit Review of IT Security and Operations in WIPO", dated September 19, 2008; and, IAOD Audit Report No. IA/02/2008: "Review of WIPO Risk Registers and Tender Process for the General Contractor of the New Construction Project", dated September 19, 2008), as well as follow up on the implementation of recommendations made in IAOD Audit Report No. IAOD/IA/01/2007: "Final Audit Report: Review of Procurement System and Procedures", dated December 19, 2007.

(f) Oversight Recommendations

The Committee noted the preparation by IAOD of a draft Office Instruction establishing responsibility and accountability of Program Managers for the implementation of oversight recommendations, as well as procedures to be followed. The Committee will undertake its periodic review of the implementation of oversight recommendations at its next meeting in December 2008.

(g) Staffing

On the issue of IAOD staffing, the Committee was advised that, with the arrival of a Head of Evaluation Section in post early December 2008 and the imminent recruitment of a Head of the Internal Audit Section, IAOD's six regular budget posts would be fully established. The Committee is of the opinion that IAOD should therefore be in a position to fulfill its mandate.

16. Recommendations:

(a) Divisional Plans and Resource Utilization

With respect to IAOD planning and resource utilization, the Director of IAOD should submit to the Committee, at its next meeting in December 2008, a comprehensive Divisional Program Plan for 2009, with comparatives for 2008, covering the full mandate of IAOD, and showing clear linkages to Organizational priorities and high risk areas in WIPO. With the completion of the evaluation team, the Committee expects a robust 2009 evaluation workplan by Spring 2009.

(b) Core and Non-core Activities within IAOD

The Director of IAOD should update the Committee at its next meeting in December 2008, on assignment of responsibility for:

(i) preparation of the Program Performance Report (see also sub-paragraph 20(d) under Item 3: Financial Statement and Financial Management Report); and,

(ii) establishment of an ethics system at WIPO.

(c) Establishment and Preparation of a Proper Internal Control System at WIPO

The Director of IAOD should present a progress report on the internal control gap assessment study to the Committee at its next meeting in December 2008.

#### **AGENDA ITEM 4**

#### **FINANCIAL STATEMENTS AND FINANCIAL MANAGEMENT REPORT**

17. The documents presented to the Committee under this Item appear in Annex II of this report.

18. A powerpoint presentation and explanations were provided to the Committee by Mr. Philippe Favatier, Chief Financial Officer (Controller), Department of Finance, Budget and Program Management, General Affairs and Administration Sector; Mrs. Magdi Bona, Head, Budget Section, Department of Finance, Budget and Program Management; Mrs. Janice Cook Robbins, Head, Finance Services, Department of Finance, Budget and

Program Management; Mr. Joe Bradley, Head, Program Management and Performance Section, Department of Finance, Budget and Program Management; and, Ms. Emily Howard, Administrative Assistant, Department of Finance, Budget and Program Management.

19. Observations:

- (a) The Financial Statements for the biennium ending December 31, 2007, were transmitted to the Committee with a covering letter dated April 8, 2008, in compliance with WIPO Financial Regulation 6.6, and the Financial Management Report was transmitted with a covering letter dated September 18, 2008. The Committee noted that the biennial accounts were not accompanied by a Letter of Representation to Member States.
- (b) The Committee noted that the Financial Statements were sent with a delay of one week. In the new WIPO Financial Regulations and Rules, deadlines for the submission of Financial Statements to the External Auditor and Audit Committee have been introduced but not completely complied with. Paragraph 62 of the report of the External Auditor (see sub-paragraph 19(c) below) refers to these procedures.
- (c) The Committee took note with interest of the report of the External Auditor, dated July 14, 2008, and his audit opinion of the same date. The Committee welcomed the recommendations of the External Auditor and discussed them with the Chief Financial Officer (Controller). The Committee was informed that the Secretariat had discussed and clarified a list of issues of minor importance with the External Auditor.
- (d) The Committee regretted that the Program Performance Report for the 2006/07 biennium was not ready in its final form during the Committee's review of the Financial Management Report 2006/07 (FMR 2006/07). In this context, the Committee recalled that the purpose of providing information in the accounts is "with a view to improving communications and exchanges with Member States and in order to facilitate comparisons with the aims originally fixed and then revised. They also aim to serve as a reliable basis for discussions concerning the preparation of future budgets".<sup>1</sup> The Committee noted that the accounts do not, in general, contain much information on how management decided upon and implemented activities relating to both foreseen and unforeseen events. For example, the section of the FMR 2006/07 entitled "PCT Fees" (FMR 2006/07, page 26) describes the surplus of 76.7 million Swiss francs in the context of Article 16 of the Patent Cooperation Treaty and observes that Rule 16.1 of the PCT Treaty does not regulate the consequences of turbulent financial markets. But this section contains no analysis of the surplus of income *vis-à-vis* the reallocation of approximately ten million Swiss francs (reallocation shown in the powerpoint slide presentation on the FMR 2006/07).
- (e) The Committee welcomed the option of "incorporating the potential impact of this Rule [16.1] in its income model for the future, as well as reviewing other options to manage this risk more proactively" (FMR 2006/07, page 26).

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<sup>1</sup> Preface of the Financial Management Report of WIPO for the 2004/05 biennium.

- (f) The Committee noted outstanding contributions up to approximately 11 million Swiss francs (FMR 2006/07, pages 30 to 46) and was informed by the Secretariat of the procedure followed in respect of arrears of contributions. However, the FMR 2006/07 contains no information on the impact of these arrears on the Organization's program of activities.
- (g) The Committee wished to underline, for the short-term, recommendation No. 5 of the above-mentioned report of the External Auditor (see sub-paragraph 19(c) above) concerning the new Financial Regulations and Rules.<sup>2</sup> The Committee also discussed the subject of the introduction and implementation of International Public Sector Accounting Standards (IPSAS) and observed that a plan relating to this has not yet been presented to the Committee. The Committee wished to return to this topic at its first meeting in 2009.

20. Recommendations

- (a) In line with UN best practice, all future accounts should be accompanied by a Letter of Representation to Member States from the Director General, taking responsibility of the integrity of the accounts.
- (b) In compliance with the new Financial Regulations and Rules, the Secretariat should ensure timely submission of Financial Statements to the External Auditor and Audit Committee.
- (c) For its next meeting in December 2008, the Committee urges the Secretariat to:
  - (i) present a specific and detailed plan of implementation of the External Auditor's observations and recommendations; and,
  - (ii) provide the list of issues of minor importance discussed and clarified with the External Auditor.
- (d) With a view to facilitating discussions on budget and performance, and in order to provide better information to all major stakeholders in the areas of accountability and transparency:
  - (i) the Financial Management Report as a regularity instrument, and the Program Performance Report as an analysis of Organizational performance *per se*, should be presented concurrently to the Committee at its next meeting in December 2008, prior to concurrent presentation of both documents to Member States at the forthcoming Program and Budget Committee meeting on December 10 and 11, 2008; and,

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<sup>2</sup> **Recommendation No. 5:** It would be in WIPO's interest to take advantage of the introduction of the new control procedures relating to the introduction of the new Financial Regulations, in order to document these and in turn allow follow up." (paragraph 58 of the "Report of the Auditor to the Assembly of the Member States of WIPO, dated July 14, 2008").

- (ii) the Financial Management Report should highlight major variations in the utilization of the budget *vis-à-vis* the original and adjusted budget by analyzing: what the original aims were; how they were to be obtained; what means were available and what changes were made; and, what results were obtained and what means were used.
- (e) The Secretariat should present a progress report on proposals for revision of its PCT income model to the Committee at its first meeting in 2009.
- (f) With respect to an approximate 11 million Swiss francs of outstanding contributions, information on the actions taken by the Secretariat, and the results, should be included in the accounts.
- (g) Concerning the new Financial Regulations and Rules and the introduction and implementation of International Public Sector Accounting Standards (IPSAS):
  - (i) the Secretariat should continue to keep the Committee informed of the progress of the implementation of the new Financial Regulations and Rules; and,
  - (ii) the Secretariat should present a plan relating to the introduction and implementation of IPSAS to the Committee at its first meeting in 2009.

## AGENDA ITEM 5

### NEW CONSTRUCTION PROJECT

21. The documents presented to the Committee under this Item appear in Annex II of this report.

22. Information and explanations were provided orally to the Committee by Ms. Boutillon, Secretary, Construction Committee; Mr. Favatier, Chief Financial Officer (Controller), Department of Finance, Budget and Program Management; 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”).

23. Observations:

- (a) The Committee was advised of a four week delay in construction works due to late delivery of steel beams. Although time lost had not yet been recuperated, the Committee was assured that the delay would not impact on the original October 2010 project completion date, and that the project continued to progress to the general satisfaction of the Construction Committee, the Internal Project Monitoring Team and the Pilot. In this connection, the Committee observed that the GANTT chart attached as Annex II to the Progress Report of September 19, 2008, was not drafted so as to identify any project delays explicitly.

- (b) The Committee was advised that costs relating to the establishment of a provisional roundabout were included in the fixed-price contract and that the variation from the original specification consisted of a change in the location of that access only (*Route de Ferney* side instead of forecourt of the GBI Building) without any additional cost or delay in the timetable. In this connection, and making reference to IAOD Audit Report No. IA/02/2008: “Review of WIPO Risk Registers and Tender Process for the General Contractor of the New Construction Project”, dated September 19, 2008, the Committee observed a difficulty identifying contract variations in general, due to the lack of a comprehensive reporting system for contract variations, including General Contractor addenda.
- (c) With regard to risk management and the risk registers, the Committee again noted the points raised by IAOD Audit Report No. IA/02/2008: “Review of WIPO Risk Registers and Tender Process for the General Contractor of the New Construction Project”, including the need for identification and use of key performance indicators to enhance performance monitoring throughout the lifespan of the project.
- (d) The Committee discussed the possibility of the international financial crisis already affecting the bank loan facility for the New Construction Project. The Committee was reminded that this risk is recorded in the WIPO risk register (No. 31(e)) and further that the loan facility was syndicated to two Swiss banks. The Committee was assured that there had been no indication of any problems to date. The Committee concluded that this topic should be considered again at its next meeting in December 2008.
- (e) The Committee discussed the New Construction Project cash flow projections presented to it and in particular the nature of the disclosures therein and the bases and assumptions upon which they were based. The Committee concluded that these cash flows and the manner of their presentation should also be considered further at its next meeting allowing the Secretariat to re-consider them meanwhile.

24. Recommendations:

- (a) The GANTT chart tracking the major elements of the construction works attached to progress reports presented to the Committee should have separate lines showing projected and actual progress respectively.
- (b) A section on contract variations, including General Contractor addenda and causes for such addenda, should be included in project progress reports presented to the Committee.
- (c) A regular reporting system showing progress of the construction project analyzed by key performance indicators should be established and presented to the Committee on a regular basis.

**AGENDA ITEM 6**

**OTHER MATTERS**

25. The next meeting of the Committee is tentatively scheduled to take place from Monday, December 1 to Thursday, December 4, 2008.

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

1. Meeting with the Director General
2. Review of the Work of the Internal Audit and Oversight Division
3. New Construction Project
4. Program Performance Report for the 2006/07 biennium
5. Other matters

[Annex I follows]

WIPO



WO/AC/10/1  
ORIGINAL: English  
DATE: October 6, 2008

WORLD INTELLECTUAL PROPERTY ORGANIZATION  
GENEVA

**WIPO AUDIT COMMITTEE**  
**Tenth Meeting**  
**Geneva, October 6 to 9, 2008**

AGENDA

*adopted by the WIPO Audit Committee*

1. Meeting with the Director General
2. Desk-to-Desk Review
3. Review of the Work of the Internal Audit and Oversight Division
4. WIPO Financial Statements and Financial Management Report
5. New Construction Project
6. Other Matters

[Annex II follows]

ANNEX II

Documents presented to the WIPO Audit Committee  
at its tenth meeting, October 6 to 9, 2008

**Briefing by the Chair**

- WO/AC/10/1 Prov: Draft Agenda for ninth meeting, dated May 29, 2008;
- WO/A/45/5 Prov.: Draft General Report of the Forty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO, dated September 29, 2008; and,
- WO/GA/36/13 Prov. Draft Report of the Thirty-Sixth (18th Extraordinary) Session of the WIPO General Assembly., dated September 29, 2008.

**AGENDA ITEM 1: MEETING WITH THE DIRECTOR GENERAL**

PowerPoint presentation entitled “Overview of WIPO’s Strategic Re-alignment Program”, dated October 2008.

**AGENDA ITEM 2: DESK-TO-DESK REVIEW**

(a) New Financial Regulations and Rules (FRR)

Background documentation on progress made in the implementation of the new FRR, with covering letter from Mrs. Graffigna, Executive Director and Controller, dated September 29, 2008.

(b) Human Resources Strategy

Memorandum from Mr. Toledo, Director, Human Resources Management Department, dated June 16, 2008, concerning WIPO Audit Committee recommendations relating to human resources, made by the Committee at its eighth meeting (document WO/AC/8/2).

**AGENDA ITEM 3: REVIEW OF THE WORK OF THE INTERNAL AUDIT  
AND OVERSIGHT DIVISION (IAOD)**

(a) IAOD Quarterly Summary Progress Report: April to June 2008

- IAOD Quarterly Summary Progress Report with covering memorandum dated July 14, 2008, from Mr. Treen to the Director General;
- Memorandum dated July 15, 2008 from Mrs. Weil-Guthmann to Mr. Treen;
- Memorandum dated July 17, 2008 from Mr. Treen to Mrs. Weil-Guthmann; and,
- Memorandum dated July 22, 2008 from Mrs. Weil-Guthmann to Mr. Treen.

(b) IAOD Quarterly Report on Investigation Cases: April to June 2008

IAOD Quarterly Report on Investigation Cases, with covering memorandum dated July 14, 2008 from Mr. Treen to the Director General.

(c) Summary Annual Report of the Director of IAOD

- “Summary Annual Report of the Director of the Internal Audit and Oversight Division”, with covering memorandum dated August 7, 2008; and,
- Document WO/GA/36/8: “Summary Annual Report of the Director of the Internal Audit and Oversight Division”, dated August 15, 2008, prepared by the Secretariat and presented at the Forty-Fifth Series of Meetings of the Member States of WIPO.

(d) IAOD Annual Report on External Audit Recommendations

- “IAOD Annual Report on External Audit Recommendations”, with covering memorandum dated August 8, 2008, from Mr. Treen to the Director General; and,
- Note dated August 12, 2008, from Mrs. Weil-Guthman to Mr. Treen.

(e) Revised Internal Audit Plan for 2008

“Revised Internal Audit Plan for 2008”, with covering memorandum dated August 19, 2008, from Mr. Treen to the Director General.

(f) IAOD Evaluation Section Work Plan 2008

“IAOD Evaluation Section Work Plan 2008”, with covering memorandum dated August 19, 2008, from Mr. Treen to the Director General.

(g) IAOD Resource Utilization and Summary Work Plan

“Report to the Audit Committee on IAOD’s Resource Utilization and Summary Work Plan. Period January 1 to September 30, 2008”, with covering memorandum dated October 3, 2008, from Mr. Treen to the Chair of the WIPO Audit Committee.

(h) Implementation of WIPO Oversight Recommendations

- Memorandum entitled “Office Instruction 24/2008 on Procedures, Roles and Responsibilities on the Implementation of WIPO Oversight Recommendations, dated September 19, 2008, from Mr. Treen to the Director General; and,
- Draft Office Instruction 24/2008 on Procedures, Roles and Responsibilities on the Implementation of WIPO Oversight Recommendations, dated September 19, 2008.

- (i) Audit Review of IT Security and Operations in WIPO
- Memorandum entitled “Final Report on the Review of IT Security and Operations in WIPO (IA/01/2008), dated September 19, 2008, from Mr. Treen to the Director General; and,
  - IAOD Audit Report No. IA/01/2008: “Audit Review of IT Security and Operations in WIPO”, dated September 19, 2008.
- (j) Review of WIPO Risk Registers and Tender Process for the General Contractor of the New Construction Project
- Memorandum entitled “Risk Registers and Tender Process for the General Contractor of the New Construction Project (IA/02/2008), dated September 19, 2008, from Mr. Treen to the Director General; and,
  - IAOD Audit Report No. IA/02/2008: “Review of WIPO Risk Registers and Tender Process for the General Contractor of the New Construction Project”, dated September 19, 2008.
- (k) Status of Implementation of Audit Committee Recommendations concerning Procurement

Memorandum entitled “Status of Implementation of the recommendations of the Ninth Meeting of the Audit Committee held from May 19 to 22, 2008, concerning procurement”, dated September 19, 2008, from Mr. Sevilla to Mr. Treen, with covering note dated October 7, 2008, from Mr. Treen to the Chair of the Audit Committee.

#### **AGENDA ITEM 4: WIPO FINANCIAL STATEMENTS AND FINANCIAL MANAGEMENT REPORT**

- (a) Financial Statements of WIPO
- Financial Statements of WIPO for the Biennium ending December 31, 2007, with transmittal letter dated April 8, 2008.<sup>1</sup>
- (b) WIPO Financial Management Report for the 2006/07 Biennium
- WIPO Financial Management Report for the 2006/07 biennium, with transmittal letter dated September 18, 2008;
  - Report by the External Auditor (Mr. K. Grüter) on the 2006/07 Biennium accounts to the Assemblies of the Members States of WIPO, dated July 14, 2008; and,
  - PowerPoint presentation entitled “Financial Management Report 2006-2007”.

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<sup>1</sup> First issued during the ninth meeting of the WIPO Audit Committee (May 19 to 22, 2008)

## **AGENDA ITEM 5: NEW CONSTRUCTION PROJECT**

(a) Progress Report

- Document WO/GA/36/6: “Progress Report on the New Construction Project”, dated August 15, 2008, prepared by the Secretariat and presented at the Forty-Fifth Series of Meetings of the Member States of WIPO; and,
- Progress Report on the New Construction Project, issued on September 19, 2008, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee.

(b) Risk Registers

- WIPO Risk Register updates No. 8, 9, 10 and 11 (May, June, July and August 2008); and,
- Pilot Risk Register (May to July 2008).

(c) Pilot Monthly Reports

Pilot Monthly Reports (including General Contractor Monthly Reports) Nos. 17, 18, 19, 20 and 21 for April, May, June, July and August 2008.

(d) New Construction Charter

Charter for New Construction Project, version 7, issued on May 5, 2008, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee.<sup>2</sup>

[Annex III follows]

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<sup>2</sup> First issued at the ninth meeting of the WIPO Audit Committee (May 19 to 22, 2008)

WIPO GENERAL ASSEMBLY  
THIRTY-SIXTH SESSION  
September 22 to 30, 2008

ITEM 7 OF THE AGENDA

STATEMENT BY KHALIL OTHMAN,  
CHAIR, WIPO AUDIT COMMITTEE

Mr. President,

Having had the privilege of working closely with you during the last General Assembly, it's a pleasure indeed to see you again Ambassador Uhomoibhi, chairing this important General Assembly and, on behalf of the WIPO Audit Committee and myself, I would like to acknowledge your leadership qualities and human approach in conducting difficult issues and steering the work of the General Assembly to a safe and fruitful outcome. I assure you, Sir, of our continued cooperation.

Our thanks and appreciation also go to Dr. Hilde Skorpen, Chair of the Coordination Committee, for her work and interaction with the Audit Committee.

Our heartfelt congratulations go to Francis Gurry on his confirmation by acclamation as Director General of WIPO. We have worked with Mr. Gurry on a number of topics and always found him not only knowledgeable of WIPO intricacies, and an articulate and constructive partner, but also a very good listener. We assure him of our continued cooperation.

I will not let this opportunity pass without paying special tribute to Kamil Idris, who has been at the helm of this Organization for over a decade and whose contributions and achievements have been attested by Member States. He was unwavering in his support to the Audit Committee since its establishment. We wish him and his family all the very best for their future.

Mr. President, I am pleased to introduce, on behalf of the Audit Committee, the Reports of its seventh, eighth and ninth meetings, held in December 2007, February and May 2008. The full reports of these three meetings are contained in document WO/GA/36/9 before you.

It should be noted that, during this period, no Program and Budget Committee meetings were held and therefore our reports were not presented, discussed or acted upon. We understand that the next Program and Budget Committee is scheduled for December 10 and 11, 2008 and maybe the three reports before you, together with the report of our next meeting in October, which was originally scheduled for August, could be presented to that Committee meeting.

**A. Internal Audit and Oversight Division**

I will start with our review of the Internal Audit and Oversight Division, where the Assembly has just considered the report of the Director.

As our successive reports have shown, the Committee has expressed concern over the staffing situation, and called upon the Secretariat to embark on a vigorous recruitment process for vacant posts and supported the increase of posts for 2008/09. Today the staffing situation has considerably improved. With the imminent recruitment of the two vacant posts, together with the incumbents in audit, investigation and evaluation, the Division should be able to fulfill its full mandate and carry out the tasks entrusted to it.

In our last meetings, we raised a number of questions concerning the most efficient use of available resources, both human and financial, and were of the opinion that IAOD should devote more of its resources to core oversight functions. In this respect, the Committee recommended that: (a) more outsourcing could have been effected to compensate for the vacant posts; (b) responsibility for setting up an ethics system should fall within the purview of the Office of the Legal Counsel and HRMD; and (c) responsibility for the Program Performance Report should be assigned to the Office of Strategic Planning and Policy Development. We also stressed the need for the preparation of a revised Divisional Program Plan that addresses the full mandate of IAOD, as well as the completion of divisional manuals using, as far as possible, existing material developed by other UN organizations.

In our last meeting, we went beyond the review of the Division to address the concept and application of a fully functional internal control system. The Committee observed that there continues to be a vacuum for a proper internal control system within WIPO and that this issue is not currently being addressed within the framework of the Organizational Improvement Program. The Committee concluded that there is an urgent need to establish an effective internal control system at WIPO, taking a holistic approach that integrates good governance, ethics, management, administration, risk assessment, monitoring, accountability and compliance. The Committee considers that this vacuum puts the Organization at risk, and will revert to this matter at its next meeting. In this connection, the Committee has recommended that the Secretariat undertakes work on the identification and elaboration of a proper internal control system for WIPO, within the framework of the Organizational Improvement Program and present a progress report to the Committee.

**B. The New Construction Project**

I will now move onto the New Construction Project. This is a good example of the constructive interaction between the Secretariat and the Pilot, on the one hand, and the Audit Committee, on the other. The documents and progress reports, including those pertaining to the Risk Registers, General Contractor and the Financing Entity are well-prepared in advance, and the recommendations of the Audit Committee consistently implemented. Our recommendations in the reports before you deal mainly with budgetary matters and cost audits. As an example, and in its last meeting, the Committee recommended that the cash flow projection for the life of the New Construction Project be amended to identify funding being derived from (a) WIPO reserves; (b) WIPO regular budget; and, (c) bank loan facility.

**C. The Desk-to-Desk Review**

Turning now to the Desk-to-Desk Review, you will recall that, at its last Session, the WIPO General Assembly decided to endorse the Committee's recommendation (document WO/GA/34/16, paragraph 34), made at its sixth meeting (document WO/AC/6/2, paragraph 24), namely that:

- “(a) The Secretariat develops a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC's Final Report, and as recognized by the Secretariat in its report (WO/GA/34/12); and
- (b) The Secretariat should prepare a road map for the implementation of the program showing the organizational and resourcing requirements.”

This General Assembly decision, which has been the main focus of our discussions with Secretariat officials during the Committee's last three meetings, has not yet been implemented. The reports before you give a detailed narrative of the main observations, comments and recommendations relating to this topic.

I will highlight the main points. A “high level” approach powerpoint presentation was made by the Secretariat to the Committee, and at an informal Member States meeting in February 2008. The Secretariat reported that progress had been made on certain initiatives, including the new Financial Regulations and Rules, the Performance Appraisal System and the development of an IT Strategy. Except for the FRR, and its successful finalization, not much progress has been made under the other initiatives. In reviewing the separate initiatives, including a Human Resources Strategy, Enterprise Resource Planning and Information and Communication Technologies, the Committee reached a number of conclusions and recommendations that are detailed in the successive reports before you. We are expecting progress reports by the Secretariat on these topics for our forthcoming meeting on October 6, 2008. In the view of the Committee, the February presentation did not meet the recommendations to: (a) develop a comprehensive integrated program for organizational improvement and (b) prepare a roadmap for implementation of the program.

The Audit Committee has consistently reminded the Secretariat of several requirements for successful progress on developing an integrated program for organizational improvement, including:

- (a) full engagement of both management and staff, which cannot be obtained without a coherent vision or set of alternative scenarios as the objective(s) to be reached by the change program;
- (b) establishment of a starting point for change in terms of comprehensive flow charting of the Organization's operations and mapping of all staff functions;
- (c) addressing the issue of having the necessary resources and competencies to undertake an integrated program for Organizational Improvement.

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

At its seventh meeting in December 2007, the Secretariat informed the Committee that in the transition period running up to the appointment of a new Director General, there was a question on their part as to what extent real progress could be made on establishing and implementing the integrated program for Organizational Improvement.

Moreover, at our last meeting (May 2008), the Secretariat informed the Committee that a comprehensive assessment of the adequacy of current WIPO resources in terms of staffing composition, functions, competencies, skills, contractual arrangements and funding, along the lines prescribed in PwC's Final Report on the Desk-to-Desk Assessment, and endorsed by the WIPO General Assembly, would require a level of skills and a capacity which the WIPO Secretariat is unable to provide from its internal resources.

Mr. President, a year has passed since the adoption of the General Assembly decision on the Desk-to-Desk Review. We in the Audit Committee are aware of the difficulties and constraints that the Secretariat faced during the transition period. Apart from the successful finalization of the Financial Regulations and Rules we thought some more progress could have been made. Now we are at a new juncture. A new Director General is assuming the leadership of this important UN agency. The background for reform is set through recommendations of the external consultant, PwC, the response by the Secretariat and the positions of Member States, and the Audit Committee's findings and recommendations. We trust that the new Director General, Mr. Francis Gurry and his colleagues will be designing detailed plans for Member States to consider. The Audit Committee very much looks forward to working with the new Director General, the Secretariat and Member States to oversee the governance of the WIPO and report to Member States accordingly.

**D. Terms of Reference of the WIPO Audit Committee**

Mr. President, Distinguished Delegates, I would like to draw your attention to an issue that needs to be acted upon. You may recall that the revised Terms of Reference of the WIPO Audit Committee, as adopted by the General Assembly in September 2007, provides for rotation of three out of the nine Members of Audit Committee Members by January 1, 2009. According to the Terms of Reference of the Audit Committee, this task is entrusted to the Program and Budget Committee. We, on our part, are ready, if and when required, to be party to consultations on this issue.

**E. Closing Remarks**

Finally, we note from document WO/GA/36/9 that "The General Assembly is invited to take note of the reports of the seventh, eighth and ninth meetings of the WIPO Audit Committee".

In my opening remarks, I already referred to the desirability of the Program and Budget Committee taking action on these reports and others that will follow.

I thank you, Mr. President.

[End of Annex III and of document]