

# WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION  
GENEVA

## PROGRAM AND BUDGET COMMITTEE

**Eighth Session**  
**Geneva, April 27 to 29, 2005**

### INTERNAL AUDIT CHARTER

#### *Memorandum of the Director General*

1. The WIPO Internal Audit Charter constitutes the framework for the Internal Audit function of the World Intellectual Property Organization and defines its mandate, authority, duties, reporting obligations and resources.
2. This Charter has been drafted by the Secretariat in accordance with the above-mentioned parameters, following recommendations and suggestions received from Member States.
3. The adoption of this Internal Audit Charter, which will be incorporated in the WIPO Financial Regulations as an additional Annex, will strengthen the oversight function within WIPO, and align it with the majority of UN system organizations.
4. *The Program and Budget Committee is invited to express its views on the proposed Internal Audit Charter, to be annexed to the WIPO Financial Regulations, and to recommend it to the General Assembly for approval at its meeting in September 2005.*

[Annex follows]

ANNEX

WIPO INTERNAL AUDIT CHARTER

A. INTRODUCTION

1. This Charter constitutes the framework for the Internal Audit function<sup>1</sup> 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, when required, 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 the Organization’s operations. It helps accomplish the Organization’s objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.<sup>2</sup>

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, the applicable accounting standards and the Standards of Conduct of the International Civil Service.<sup>3</sup>

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

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<sup>1</sup> The Internal Audit function, in the context of the Internal Audit Charter, refers exclusively to the oversight functions of Internal Audit, Inspection and Investigation, and does not encompass the oversight functions of Monitoring and Evaluation. Monitoring is undertaken by the Office of the Controller, while Evaluation, although performed under the responsibility of the Director of Internal Audit and Oversight, is the subject of a policy framework outside this Charter.

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

<sup>3</sup> 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.

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, especially in determining the scope of internal auditing, performing work, communicating results and resolving workload conflicts. Work should be prioritized by the Internal Auditor according to risk and the Director General's priorities, in consideration of indications from the Assemblies of 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 the Standards for the Professional Practice of Internal Auditing, as adopted by the Internal Audit Services of the United Nations System and Multilateral Organizations.<sup>4</sup>

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.

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 or other irregular activities relevant to the mandate of the Internal Auditor.

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, unless such information was willfully provided with knowledge that it was false, or with the intent to misinform the Internal Auditor.

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 supports and contributes to the accountability of the Director General to the Member States.

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<sup>4</sup> The UN Internal Auditing standards are based on the Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA), accepted and applied worldwide, including by the UN system Organizations and the Multilateral Financial Institutions.

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 by the Director General and the Internal Auditor, taking into consideration indications by the Assemblies of Member States.
- (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 perform the following:

- (a) Review the reliability and integrity of the Organization's internal control mechanisms.
- (b) Review the adequacy of organizational structures, systems and processes.
- (c) Review systems aimed at ensuring compliance by WIPO staff with WIPO's Rules, Regulations and established internal policies.
- (d) Review 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) Assist the Organization by identifying and evaluating significant exposure to risk and contributing 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.

## 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 and provide a copy of the final report for each audit to the External Auditor, for information, along with, if requested, the supporting documentation, to enable the External Auditor to draw the attention of Member States on issues of particular significance, in accordance with applicable norms, if deemed necessary.
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 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 together with any comments deemed necessary.

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 summarised 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

23. 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.

24. The Director General, in consultation with the Internal Auditor, will ensure that the WIPO Internal Audit function comprises professional staff 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

25. The Internal Auditor should be a person with high qualifications and competence in auditing, accounting, administration or other relevant fields.

26. The Director General shall appoint or dismiss the Internal Auditor, taking into account the advice of the Coordination Committee, in accordance with the relevant Staff Regulations concerning appointments and dismissals at grade D1 and above.

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