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ASSEMBLIES OF THE MEMBER STATES OF WIPO

Forty-first Series of Meetings Geneva, September 26 to October 5, 2005

PROPOSAL ON THE ADOPTION OF A WIPO INTERNAL AUDIT CHARTER

document prepared by the Secretariat

1. This document contains a proposal on a WIPO Internal Audit Charter, which 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. The Program and Budget Committee, at its eighth session, held from April 27 to 29, 2005, adopted the following decision (WO/PBC/8/5, paragraph 188):

“The Program and Budget Committee agreed to postpone discussions on the Internal Audit Charter presented in document WO/PBC/8/4, and that this question be referred to the Working Group mentioned in paragraph 4 of the decision adopted under agenda item 5.”
3. An informal session of the open-ended Working Group of the Program and Budget Committee was convened from May 23 to 25, on June 23, and on July 14 and 15, 2005, in Geneva, and chaired by Mr. Dirk Kranen (Germany).

4. Following discussions, the Working Group adopted the conclusion annexed to the present document (Annex I) recommending that the WIPO General Assembly approves at its September 2005 Session the enclosed WIPO Internal Audit Charter (Annex II), which will be annexed to the WIPO Financial Regulations.

5. The General Assembly is invited to note the contents of Annex I and approve the WIPO Internal Audit Charter contained in Annex II, to be annexed to the WIPO Financial Regulations, as recommended by the Working Group of the Program and Budget Committee.

[Annexes follow]

ANNEX I

WORKING GROUP OF THE
PROGRAM AND BUDGET COMMITTEE

Informal Session
Geneva, May 23 to 25, June 23, and July 14 to 15, 2005

Conclusion

Internal Audit Charter

The Working Group of the Program and Budget Committee:

1. *Having* met informally and examined the proposed Internal Audit Charter as requested by the WIPO Program and Budget Committee in its Eight Session;
2. *Stressing* that WIPO stakeholders have to be confident that WIPO programs are properly managed and administered;
3. *Noting* that it is first and foremost the responsibility of the Director General to ensure that all internal audit functions are fulfilled in WIPO;
4. *Welcomes* that the International Bureau of WIPO has embarked on a consultation process with Member States on the Draft Proposal of an Internal Audit Charter;
5. *Recommends* that the General Assembly approves the enclosed Internal Audit Charter in its September 2005 meeting to be annexed to the WIPO Financial Regulations.

[Annex II follows]

ANNEX II

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

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.

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 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]