

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

ASSEMBLIES OF THE MEMBER STATES OF WIPO

Forty-First Series of Meetings
Geneva, September 26 – October 5, 2005

**INTERIM AUDIT BY THE EXTERNAL AUDITOR OF THE NEW ADMINISTRATIVE
BUILDING AND CONFERENCE ROOM CONSTRUCTION PROJECT - FOLLOW UP
OF THE 2004 AUDIT**

Document prepared by the Secretariat

1. Article 11(10) of the Convention Establishing the World Intellectual Property Organization (WIPO) provides that the auditing of the accounts is to be effected by one or more Member States, or by external auditors, as provided in the financial regulations, and that they shall be designated, with their agreement, by the WIPO General Assembly. Similar powers are conferred on the Assemblies of the Paris, Berne, Madrid, Hague, Nice, Lisbon, Locarno, the International Patent Classification (IPC), the Patent Cooperation Treaty (PCT) and Vienna Unions.
2. In line with the above, the designated external auditors provided the General Assembly of WIPO, as well as Unions administered by WIPO with Audit Reports, on a regular basis, or as requested, on the accounts of WIPO, of the Unions administered by WIPO and of the accounts of technical assistance projects executed by WIPO.
3. On August 5, 2005, the Secretariat received from the External Auditor a report entitled "Interim Audit of the New Administrative Building and Conference Room Construction Project - Follow up of the 2004 Audit".

4. The said report is annexed to this document.
5. Document A/41/16 (“Management of the New Construction Project”) elaborates on the way in which the recommendations made by the External Auditor in his report will be taken into account by WIPO in the context of the new construction.
6. *The Assemblies of the Member States of WIPO and of the Unions administered by WIPO are invited to note the contents in this document and the annex thereto, and comment accordingly.*

[Annex follows]

A/41/15

ANNEX

EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE



WORLD INTELLECTUAL PROPERTY ORGANIZATION

GENEVA

**INTERIM AUDIT
of the New Administrative Building and
Conference Room Construction Project – Follow-up of 2004 Audit**

**Report by the External Auditor
to the General Assembly**

*Reg. No.: 1.5229.944.00330.04
Bern, July 6, 2005*

GENERAL

Terms of Reference

1. At the thirty-ninth series of meetings, held in Geneva from September 22 to October 1, 2003, the General Assembly of the World Intellectual Property Organization (WIPO) and the Assemblies of the Paris, Berne, Madrid, Hague, Nice, Lisbon, Locarno, IPC, PCT and Vienna Unions renewed the mandate of the Swiss Government as Auditor of the accounts of WIPO and the Unions administered by WIPO, and of the accounts for the technical assistance projects carried out by the Organization up to and including 2007 (paragraph 197 of document A/39/15).

2. The Government of the Swiss Confederation mandated me, as Director of the Federal Audit Office, to audit the accounts of WIPO and the Unions mentioned above. I entrusted a qualified colleague from the Federal Audit Office with carrying out, at the headquarters of the International Bureau in Geneva, a third interim audit of the new administrative building and conference room construction project. That audit was conducted from April 12 to May 4, 2005.

3. My terms of reference are specified in Article 6.2 of the WIPO Financial Regulations and defined by the Terms of Reference Governing Audit annexed to those Regulations.

Subject of the audit

4. On October 28, 2004, I drew up a second interim audit¹ of the project for the construction of a new administrative building equipped with a car park, additional storage areas and a conference room. That document included a large number of recommendations. The purpose of the present audit is to assess the action taken on the main recommendations in that report, especially those concerning:

- the internal and external organization of the project management,
- the updating of the project,
- overall cost control management.

5. The procedure for the invitation to tender for the “competition upon invitation for an office of external advisers” was also examined.

Information and documents

6. I wish to express thanks for the obliging manner in which information and documents were supplied by all the WIPO staff approached by us. In the course of the auditing work, my colleagues had regular conversations with Mr. Petit, Deputy Director General and Chairman of the Contracts Review and Constructions Committee, Mrs. Graffigna, Financial Controller, Mr. Tagnani, Director of the Buildings Division and his immediate colleagues, Messrs. Favero and Steitieh, Mr. Sambuc, Consultant Lawyer, Mr. Favatier, Director of the

¹ See report No. 1.4241.944.00330.04

Finance Department, and his colleague, Mr. Vitry, and Messrs. Fraternali and Estoppey of the Procurement and Contracts Service.

AUDIT AND FINDINGS

General

7. At a preliminary meeting held at WIPO on April 12, 2005, my colleagues recalled the definition of the tasks of the Auditor in order that our various partners within the WIPO Secretariat understood fully the role that had been assigned to me: another purpose of the meeting was to improve communication and collaboration between the various parties involved.

8. My colleagues also recalled the aims of my recommendations, especially that regarding the setting-up of an external project management team to oversee the implementation of the project.

Internal/external project organization

9. Having discovered weaknesses in the method of managing construction projects within the WIPO Secretariat, I recommended as long ago as in 2002, in my report on the evaluation of the construction project, that one should “have a project management entity...to carry out the coordination, management and verification that are essential to any project as extensive and as complex in terms of its execution as this one. A body external to WIPO would be in a better position to respond effectively to the demands of the project and its representative”.² The Member States took a decision on the “participation” of an external project management body rather than one that would actually carry out the project. Recommendation No. 7 of my first interim audit report of June 20, 2003,³ advocated giving the necessary independence and competence to the external project management team so that it could carry out its project supervision tasks effectively. Recommendation No. 3 of the second follow-up audit conducted in October 2004, and also the report findings (see paragraph 37), repeated the proposals already mentioned in my 2003 report.

10. The findings of the report on the auditing of the construction accounts for the renovation, modernization and extension of the former World Meteorological Organization (WMO) building, dated November 1, 2004,⁴ also show the need to introduce an external project management team in order to conduct the management and verification that is essential to any building project (see Recommendation No. 8 and the conclusion).

11. As already mentioned above, the main purpose of this audit is to assess the implementation of the recommendations made in my earlier reports. Contrary to what is mentioned in the report of the 7th session of the Program and Budget Committee on September 19, 2003,⁵ my colleagues observed that nothing had yet been done before this audit regarding the drafting of a description of internal project management processes,⁶ and the

² See paragraphs 74 and 286 of document A/37/10 of June 24, 2002

³ See report No. 3023/944.00.1.22/01

⁴ See report No. 1.4242.944.00330.03

⁵ See document A/39/6, paragraphs 38 and 44

⁶ See Recommendation No. 1 of report No. 1.4241.944.00330.04 of October 28, 2004

definition of the specifications, processes and responsibilities of the internal project management team.⁷ They also noted that the conditions allowing the project management team set up to carry out, by means of regular monitoring of the project, all the supervisory tasks necessary for the proper management of the project had still not been met.⁸ The fact that the project was not relaunched following the disappointments with the general contractor at the end of 2003 partially explains this observation.

12. At the preliminary meeting held on April 12, 2005, as new interest had been shown in the introduction of a project management team that conformed to my recommendations, my colleagues drew up a document for the attention of the WIPO Secretariat that explained and demonstrated the interest of the setting-up of an external management team to pilot the project. That document is complemented by an organization chart which defines the internal and external structures that should be put in place. It also contains a description of the basic services that the specifications should cover, and also information on costs and time limits. The informal note on the management of the new construction project prepared by WIPO for the 8th Session of the Program and Budget Committee⁹ is based on the proposals made by my colleagues and complements them. Furthermore, this note coincides with my recommendation to set up an external project management team according to the diagram contained in Annex 1 to this report.

Recommendation No. 1: I invite the General Assembly to approve the WIPO proposal submitted to the 8th Session of the Program and Budget Committee in the form of an informal note on the external management of the new construction project, which will allow the organization chart contained in Annex 1 to be established.

13. The specifications for the invitation to tender of a project management entity must be finalized further and refined so as to include, to the extent possible, all the services that WIPO must have available. The judicious choice of bidders is also essential. In all cases, the invitation to tender should also be addressed to the companies I had already recommended in 2003.

14. The informal note referred to above shows that the Buildings Division will be closely involved throughout the process. It has not, however, participated directly in drawing up this document. The effectiveness of the project management can only be truly complete if the Buildings Division subscribes fully to the WIPO proposals. The successful establishment of a project management team, as described in the note, involves close cooperation between all the participants, in particular between the Buildings Division, the external project management entity and the Procurement and Contracts Service. Furthermore, all the comments and recommendations that I made in my previous report¹⁰ relating to the management of the project to renovate, modernize and extend the former WMO building, in particular Recommendation No. 6¹¹ would need to be put in place quickly in order to minimize, to the

⁷ See Recommendation No. 2 of report No. 1.4241.944.00330.04 of October 28, 2004

⁸ See Recommendation No. 3 of report No. 1.4241.944.00330.04 of October 28, 2004

⁹ See document relating to the 8th Session of the Program and Budget Committee of April 27, 2005

¹⁰ See report No. 1.4242.944.00330.03 of November 1, 2004

¹¹ Recommendation No. 6 : as part of a construction project, it is essential to establish a project management entity and a separate high-performance works management team respectively, which complies with the established procedures, uses and standards, achieves respect for the strict application of the contract procedures, and which, being aware of the existence of potential risks, is able to take appropriate measures quickly. A "proactive" attitude is strongly recommended.

extent possible, the “possible operational difficulties” within WIPO (see informal note of April 25, 2005).

Recommendation No. 2: Request the cooperation and full involvement of all the internal participants with the external project management entity and launch an invitation to tender for the establishment of an external project management entity in accordance with the specifications submitted to the Secretariat by my colleagues.

Contracting procedure

Aptitude criteria

15. A list of bidders, dated November 13, 2002, was drawn up by WIPO. In so far as a list of bidders was drawn up according to a procedure by invitation, it may be considered that all the companies included satisfied the requisite aptitude criteria (professional, financial, economic, technical and organizational skills). Consequently, it is not appropriate to refer again to the aptitude criteria in the bidder evaluation phase with a view to adjudication, as that was done by the Procurement and Contracts Service (see Dunn and Bradstreet rating).

16. Annex IV of the tender documents requests bidders to provide a description of the office of external advisers, in particular the make-up of the office and staff qualifications (name, training and function). Considerable references regarding the production of office buildings and conference rooms were also required (name of the architect’s office, the client, year of construction, place, scale of the services provided and total operating cost). Finally, experience in drawing up an invitation to tender and client representation also formed part of the adjudicator’s demands.

17. Annex 1 defines the Terms of Reference for client assistance and Annex 5 the cost bid. The latter is based on daily remuneration for 12 experts¹² with greater skills in building techniques rather than project management advice. The definition of the Terms of Reference is not consistent with the tasks of the specialists referred to. A bidder has, moreover, pointed out the paradox, “that technical specialists are unable to provide experience in client assistance”. In the final analysis, the cost of the main service required in the Terms of Reference cannot really be estimated in Annex 5, since no reference is made to a client assistance specialist. According to my colleagues, the lack of consistency in the tender documents may lead to difficulties for the bidders to satisfy and put a figure on the tender, but may also give rise to complications for the adjudicator in setting non-discriminatory evaluation criteria, since the uniformity of the tenders submitted is not guaranteed. The discrepancies in the cost of over 100 per cent between the cheapest and the most expensive bids demonstrate clearly the difficulty of putting a figure on a service which is not consistent in its definition. A clear and precise definition of the aptitude criteria would have allowed a single category of bidders to be selected with experience in client assistance services. Of the seven bids submitted to WIPO, my colleagues have noted that three companies had not given convincing references as regards client assistance. By contrast, the other four companies have all provided references which relate directly to the Terms of Reference for client assistance.

¹² Architect/town planner, electrical engineer, heating/AC engineer, sanitation engineer, civil engineer, geologist, geotechnician, building automation specialist, worksite safety specialist, economist, physical safety specialist and insurance specialist

Recommendation No. 3: Prior to the invitation to tender, the aptitude criteria applicable to the evaluation of bidders should be defined.

Recommendation No. 4: Consistency should be established in the definition of the Terms of Reference and between the definition of the Terms of Reference and the estimated cost of the service.

Adjudication criteria

18. A description of the adjudication criteria was produced by the Buildings Division on February 5, 2003, i.e. following the opening of tenders made on January 6, 2003. This unusual process does not guarantee complete transparency in the adjudication process. The relevant rules recommend that the tender documents must contain the adjudication criteria in order of importance, and also their weighting, they must indicate the method of evaluating the criterion of cost, and the adjudication criteria evaluation methods should necessarily be laid down before the bids are returned.

19. All the conditions determining the rules for the invitation to tender and, in particular, the choice and weighting of the assessment criteria, as well as the cost notation method, must necessarily be defined in advance and referred to. The scale of marks should be drawn up before the bids are launched. My colleagues have noted that none of these requirements has been satisfied within the invitation to tender process.

Recommendation No. 5: All the conditions which determine the rules for the invitation to tender, i.e. the choice and weighting of evaluation criteria, the cost notation method and the scale of marks should be fixed.

Choice of criteria

20. On January 20, 2003, the Buildings Division forwarded to the Procurement and Contracts Service its thoughts on the invitation to tender. It recommends the awarding of the contract to the office of Honegger & Müller, Architects S.A. The Buildings Division drew up a comparative table, the criteria for which are based on the cost bids, the submission of the file, and the references provided for the architects and partners. There is no scale of notation and no cost weighting, therefore no classification. The assessments of the evaluation criteria are based solely on the term "ok". Faced with the weakness of this analysis, the Procurement and Contracts Service requested a more detailed evaluation from the Buildings Division. On February 5, 2003, the Buildings Division re-examined the proposals of the seven offices and defined a new evaluation system.

21. Dated February 5, 2003, the classification includes the following observations:

- the characteristics and benefits of the chosen bid and the separate reasons for which the other bids were not chosen are not documented;
- the justification for the marks given to each bidder is not documented. The uncertain nature of the awarding of the marks given by the Buildings Division and the Procurement and Contracts Service has, moreover, led to several completely contradictory classifications, since the chosen company is the first according to the marks given by the Buildings Division and sixth according to a table produced by

the Procurements and Contracts Service. These results have not been compared by an evaluation commission consisting of representatives of each Division. In adjudicating the work, the latter scenario should, however, have been respected. A rebalancing of the marks based on a detailed analysis of the bids, leading to an objective vision of those bids, places the bidder that was awarded the contract in fifth position out of seven bidders.

Recommendation No. 6: All the decisions taken should be justified and documented. Coordination between the Procurement and Contracts Service and the Buildings Division should be improved. An evaluation commission with representatives of these two bodies and the Financial Controller should be set up. A duly documented evaluation report providing reasons for the decisions taken should be produced. A record referring to the results of the negotiations should be drawn up.

22. As regards the bid selected, my colleagues noted the absence of a reference to previous experience in client representation;¹³ consequently, it is not possible to determine whether this enterprise has greater skills than the other bidders. The Buildings Division did, however, award it 18 points out of 20, while the other companies received only 8 and 6 points respectively. One company was awarded, quite fairly, the maximum 20 points. The discrepancy between the latter company and the one which obtained the contract is not logical. The first has long and broad experience in client assistance, whereas the selected bidder has, according to a State Counsellor of the Republic and Canton of Geneva, only “a small structure established in 2000”. This company would not therefore have been able to produce references equivalent to that which obtained the 20 points. In conclusion, my colleagues have not been able to understand the reason for which the enterprise selected was awarded a score of 18 points.

23. The criteria and their weighting have been amended between the first and second tables drawn up. The first shows a weighting of 30 per cent and 70 per cent respectively for the “cost and technique” criteria, while the second mentions 40 per cent and 60 per cent. The latter percentages still leave broad room for the “technical” criterion to be assessed. The criteria contained in the first table were clearly greater in correlation with the specifications (qualification, experience, staff numbers), whereas those in the second table are strongly directed towards the references produced. This is all the more paradoxical since the company which obtained the deal had the least good references, in so far as it benefited from those of the former company from which it had emerged.

Recommendation No. 7: The criteria and their weighting should not be amended during the process. Criteria should be defined, not only on the basis of cost and technical value, but also based on the quality and suitability of the service (observance of the specifications). An evaluation based only on criteria linked to the references could appear discriminatory. Introducing non-discriminatory criteria implies that they must be precisely linked to the specific features of the market and the service to be provided. They must allow consistent competition on the part of all the bidders. The willingness to evaluate the references of the subcontractors should be mentioned in the documents.

24. My colleagues have detected an overlap between the criterion A relating to “the organization chart and the references produced by the pool” of bidders and the criterion C

13 See Annex 2, paragraph 2 of the bid

concerning “the references of the pool”. The exact definition and the differences between these criteria are not specified. It is, moreover, surprising that an evaluation criterion relating to experience in client assistance has not been produced, whereas this is the parameter which corresponds most closely to the definition of the Terms of Reference contained in Annex 1 of the invitation to tender.

25. Concerning the criterion B, no individual staff reference has been provided by the company which was awarded the contract, although it received the maximum number of points and, at the same time, other bidder companies did by contrast mention specific skills relating to economic project management but did not benefit from the same maximum number of points. The reference produced by the adjudication pool relating to the economist does not appear to meet the specific requirements for a construction economist, in so far as the company is rather a property developer which obviously has interests in each of its sales. It is important that the tasks of a construction economist are not linked to a research department or to an employer, or indeed to a supplier and that remuneration does not therefore depend on factors which it can influence directly. This independence cannot be guaranteed by the company, in so far as it is linked to a construction enterprise and it is the product of the liquidation of a company into two companies, one of which is precisely that which was awarded the contract as external advisers.

Recommendation No. 8: In order to ensure the essential objectivity in the contracting procedures, it is necessary to put in place quickly processes which take account of the legislation currently in force. The aims of effective competition and equality of treatment between all the bidders will undoubtedly enable the transparency essential for any contracting procedure to be created. The introduction of relevant aptitude and adjudication criteria will allow the enterprise providing the most economically beneficial bid to be designated, taking into account the quality, cost, service suitability, deadlines, technical value and so on.

26. In order to establish an external project management team in the best possible conditions, provided WIPO makes the necessary request, I have expressed my willingness to provide an opinion on the specifications finally established and on the list of the companies from which a bid will be requested, prior to the invitation to tender procedure beginning. I would also be prepared to provide an assessment of the evaluation report which will be drawn up before the final adjudication.

Final project

Matching the needs for the new building with projected staff numbers

27. Paragraph 24 of the report of the 5th Session of the Program and Budget Committee, of September 19, 2002¹⁴ refers to the statement by the Delegation of the United States of America relating to estimates for the number of PCT applications filed. The Delegation points out that “for the first time in many years, the USPTO had experienced negative filings in the range of –1 per cent compared to the same time the previous year. The growth in filings might not exceed 6 per cent and might possibly grow by no more than four per cent annually, but four to six per cent estimates were realistic for the current moment”. It asked once again for “the validity of those estimated receipts to be confirmed before an investment project on the scale of that of the new construction were undertaken”. The WIPO Secretariat

14 See document A/37/9

based itself on an estimate which conveyed a cautious approach, set at 10 per cent in 2002, but which would be lowered to seven per cent in 2006. The Delegation of the United States of America had considered that the WIPO estimates for receipts were very optimistic¹⁵.

28. In 2003, the WIPO Secretariat revised its estimates in the report of the 7th Session of the Program and Budget Committee¹⁶. “The PCT projections reflected a growth rate of 5.2 per cent in 2003, 8.8 per cent in 2004 and 9.6 per cent in 2005”.

29. Paragraph 49 of document WO/PBC/IM/05/2 of January 14, 2005 for the Informal Session of the Program and Budget Committee specifies that “demand for the PCT should increase at a moderate rate (three per cent) as of 2006”, i.e. a rate clearly lower than that indicated in 2003.

30. The evaluation of the construction project for a new administrative building, carried out in 2002, referred to a figure of seven per cent for the estimated applications filed under the PCT for the years 2002-2007¹⁷. This scenario referred to a total need of 1,622 work places. At the time I suggested increasing the capacity of the new building by 60 places so that WIPO could house all its employees in its own buildings, following the construction of the new administrative building.

31. The current estimates are based on “moderate growth of the registration systems in the medium term¹⁸”. The estimates refer to a need of 1,500 work places from now until 2009 (including a reserve of 100 places), i.e. 7.5 per cent less than what had been envisaged in 2002. According to the Office of the Financial Controller, this estimate is based on an absorption of work through computerization of procedures. The retention of 560 places in the new building should allow WIPO’s needs to be fully met without it being necessary to rent other premises as office space¹⁹.

32. The need for parking spaces is based on the same principle “of terminating the rental of all external parking facilities²⁰”. With the construction of the new building, 280 parking spaces are provided at levels –2 and –3. In addition, the construction of five additional basement levels accommodating 260 parking spaces, i.e. 540 spaces in total, is also provided for. By adding this figure to the 361 spaces which WIPO already owns, a proportion of parking spaces per employee of 60 per cent is observed, a ratio which corresponds closely to that indicated in paragraph 21 of my 2002 evaluation report.

33. I have noted that the need for additional parking or storage spaces meets a demand expressed by WIPO delegates in 2002 and approved at the 7th Session of the Program and Budget Committee on September 19, 2003²¹.

15 See document A/37/14, paragraph 256

16 See document A/39/6 of September 19, 2003, paragraph 13

17 See document WIPO Inputs for the Evaluation of the Building Project by the Swiss Federal Audit Office – Report I-Needs for office space and parking, paragraph 65

18 See documents WO/PBC/IM/05/3, paragraph 21 and WO/PBC/8/INF/1, paragraph 34

19 See documents WO/PBC/IM/05/3, paragraph 21 and WO/PBC/8/INF/1, paragraph 34

20 See document WO/PBC/8/INF/1, paragraph 37

21 See document A/39/6, paragraph 45

Project update

34. My colleagues have noted that the documents produced by the Office of the Financial Controller and submitted to the Program and Budget Committee were henceforth validated in advance by the Buildings Division. The quality of the information and data forwarded to the Program and Budget Committee is therefore better.

Update on areas and volumes

35. A revised project and estimate were submitted to WIPO by the architect in charge of the project, dated July 7, 2004. This update provided for a number of deletions and modifications. The conference room, additional storage area, the connecting gallery between the new and old buildings, the sixth floor, the boiler room and the arrangement of the storage area have been deleted from the project. The equipping of the fifth floor was an option. The project thus proposed was budgeted at 122.7 million francs, i.e. a cost reduction of 67.8 million francs in relation to the budget of 190.5 million francs approved by the Member States.

36. In October 2004, the WIPO Secretariat decided to submit to the Member States the reorganized project, including the fitting-out of the fifth floor, which provided a total of 560 work places and additional basements for accommodating parking spaces.

37. The reduction in the volume of the whole complex should essentially be put down to the elimination of the conference room and the sixth floor of the administrative building. The table contained in Annex 2 shows the changes in the SIA volume since 2001.

38. The document submitted to the Program and Budget Committee²² indicates a cost per cubic meter of 660 Swiss francs for the revised project including an administrative building and additional basements. This reduction in the cost has been made possible by eliminating the conference room. If we compare only the change in the cost of the administrative building in relation to the original project, we note a reduction in the price per SIA cubic meter of about eight per cent, i.e. from 743 Swiss francs to 684 Swiss francs. Since the average for a similar property in Geneva is about 700 francs per SIA cubic meter, a cost of 660 francs per cubic meter is to be considered favorable.

39. The total cost in relation to workspace is currently around 224,000 Swiss francs for the revised project. This figure implies a reduction of more than 37 per cent in relation to the original ratio for the project in April 2003, a reduction which is largely due to the elimination of one floor. This observation conforms with my recommendation in the June 2002 evaluation report, when I pointed out that the project revealed “excessively large representative areas” and that it would be judicious “to achieve ratios more readily comparable with those of the buildings of international organizations”. However, this does not mean that the revised project should be considered an economical one; the ratio per work place indicated also conveys the high standing of the building, since the average for this ratio is rather around 160,000 francs per work place (see Annex 4). It is true that the main reduction in costs is due to the elimination of the conference room.

²² See document WO/PBC/8/INF/1, paragraph 8

Overall cost control management

Project modifications

40. On July 7, 2004 the architect submitted a reduced project and a general estimate. The latter proposed a reduced project for the conference room and additional storage area for an amount estimated at 86.6 million francs. WIPO added the option relating to the fitting-out of the fifth floor at a cost of three million francs. In order to take account of the request made by delegates to provide parking places, an additional car park has also been added at a cost estimated by the Buildings Division at 8.9 million francs. As a result of this new configuration, the pedestrian crossing and the access to the car park through the basement, at an estimated cost of 1.3 million francs, can be eliminated.

41. It should be mentioned that the estimate for the revised project of July 2004 does not include the fitting-out of the fifth floor or the construction of the additional basements. The Buildings Division has updated the cost of the audited general estimate of July 2003 and adjusted it to the bid made by the general contractor. As stipulated by the Buildings Division in the document dated November 5, 2004, "at the appropriate time, it will be necessary to add an amendment to the agents' contract in order to include the description of the additional basement in the invitation to tender". The Terms of Reference which should be given to the agents for updating the estimate and including the necessary additions in the invitation to tender for the general contractor represent a total sum of 400,000 francs. These studies have been shelved pending a decision of the Program and Budget Committee on the follow-up that will be given to the project.

Recommendation No. 9: The reduced project studies should be finalized and the estimate updated as a result.

Reduced project general estimate

42. Annex 1 of the document relating to the 8th Session of the Program and Budget Committee, dated March 10, 2005²³, establishes a comparison between the "budget approved by the Member States" in September 2002 (190.5 million Swiss francs, on the basis of my June 2002 evaluation report²⁴) and the estimate for the reduced project of April 29, 2005. The figures relating to the budget submitted have been adjusted by means of synergies resulting from the conference room (see my report of October 28, 2004²⁵, figure 27). Thus, added to the amount for additional storage, it corresponds to the division of the invitation to tender drafted for the selection of the general contractor on October 27, 2003.

43. This comparison reflects two different states of the project. The first corresponds to the state of the project in November 2001 (based on my evaluation report) and on the state depending on the general estimate of March 28, 2002, i.e. the construction of an administrative building, a conference room and additional storage areas. The second state corresponds to the project reorganized in April 2005 with only the administrative building and a basement car park. Between these two states, mention should also be made of two other situations:

23 See document WO/PBC/8/INF/1

24 See document A/37/10 of June 24, 2002

25 See report No. 1.4241.944.00330.04, figure 27

- the audited general estimate of July 7, 2003 which takes account of the changes made to the project, following my evaluation of June 2002, and
- the estimate revised following the award of the contract to the general contractor, at a cost of 132 million francs for the construction of the administrative building, the conference room and the additional storage area, for an estimate corresponding to 147 million Swiss francs.

44. In figure 38 of my report of June 20, 2003²⁶, I drew up a table comparing the costs approved in September 2002 and the revised estimates of April 2003 taken from the model progress report submitted to the Program and Budget Committee. Annex 1 of the document submitted this year to the Committee also mentions another budget submission model. The different budgetary structures submitted to the Member States do not allow a direct link to be established between the different stages involving changes to the project.

45. Consequently, my colleagues have drawn up a comparison between the budget for the state corresponding to the budget approved by Member States in 2002 with that of the current state. Those costs, supplemented by the cost of buying the plot, all the competition-related expenses, travel expenses, representation costs, salaries and extrabudgetary costs (expert evaluation of the plot, insurance and monitoring of the villas existing on the plot, etc.), are:

- **206.6 million francs** for the original project (190.5 million francs + 16.1 million francs) and
- **152.2 million francs** for the reduced project (125.5 million francs plus 26.7 million francs), taking into account the fees for the first project,

i.e. a budgetary reduction of 26.3 per cent, or 54.4 million francs.

46. The costs involved in organizing the international architecture competition for the extension of the administrative headquarters in 2000 had been estimated at 1.5 million francs. The final calculation made at my request by the Finance Division stands at 1,693,788 francs, i.e. an overspend of 193,788 francs. The Buildings Division has validated these figures. The establishment of this calculation has enabled the incorrect distribution and allocation of costs for certain items between the different subjects to be rectified, along with their accounting character.

47. The audit costs incurred since the evaluation of the new building in 2002 have been entered, wrongly, in the accounts for this project. They should not form part of the new construction but rather be allocated to the budgetary code “cooperation with external auditors” instead of the budgetary code for the Buildings Division.

Recommendation No. 10: Consistency and uniformity should be established in the presentation of the budgets submitted in the reports intended for the Member States. The allocation of the costs involved in the new building project should be better coordinated

²⁶ See report 3023/944.00.1.22/01

between the Office of the Financial Controller and the Buildings and Finance Divisions, in order to establish greater rigor in their allocation to the budget appropriation for the project.

Payments situation

48. As at December 31, 2004, the payments made stood at 18,335,156 francs, whereas they had been 15,762,940 francs a year previously, i.e. a payments volume for 2004 of 2,572,216 francs. The Finance and Buildings Divisions audited the distribution of payments as at April 14, 2005. At that time, the payments situation was 18,907,697 francs for past liabilities of 21,002,991 francs and an estimate of 24,626,190 Swiss francs. These amounts include the services linked to the first project for an amount estimated by the Buildings Division at 10,584,141 francs, i.e. 8,941,000 francs for the fees and 1,643,141 francs for charges.

CONCLUSION

49. The positive action taken recently by WIPO in relation to the setting-up of an external project management entity are not completely sufficient to assuage my concern as to the allocation of the Terms of Reference, in view of the contracting procedures which my colleagues have had the opportunity to note within this audit²⁷. I suggest to the WIPO Secretariat that it should, as soon as possible, advertise a competition for the services to be provided by the external project management entity, according to my recommendations and so that the management team can cooperate quickly in finalizing the project studies and the general estimate respectively, and also to prepare the contract and the invitation to tender for the general contractor. At the same time, contracting procedures should be defined and applied immediately to the invitations to tender referred to above. On this condition, it will be possible to introduce the necessary transparency into these processes. In order for WIPO to have the best possible chance of obtaining the cooperation of a company which best meets its specific needs, I recall that I am willing to give my opinion on the contracting procedure relating to external management²⁸.

K. Grüter

Director of the
SWISS FEDERAL
AUDIT OFFICE
(Auditor)

²⁷ See paragraphs 15 to 26

²⁸ See paragraph 26

Annexes:

1. Organization chart of the structure of an external project management team.
2. Changes in project SIA volume between 2001 and 2005.
3. Comparison of costs per SIA cubic meter including all building cost classifications.
4. Total cost in relation to workspace.

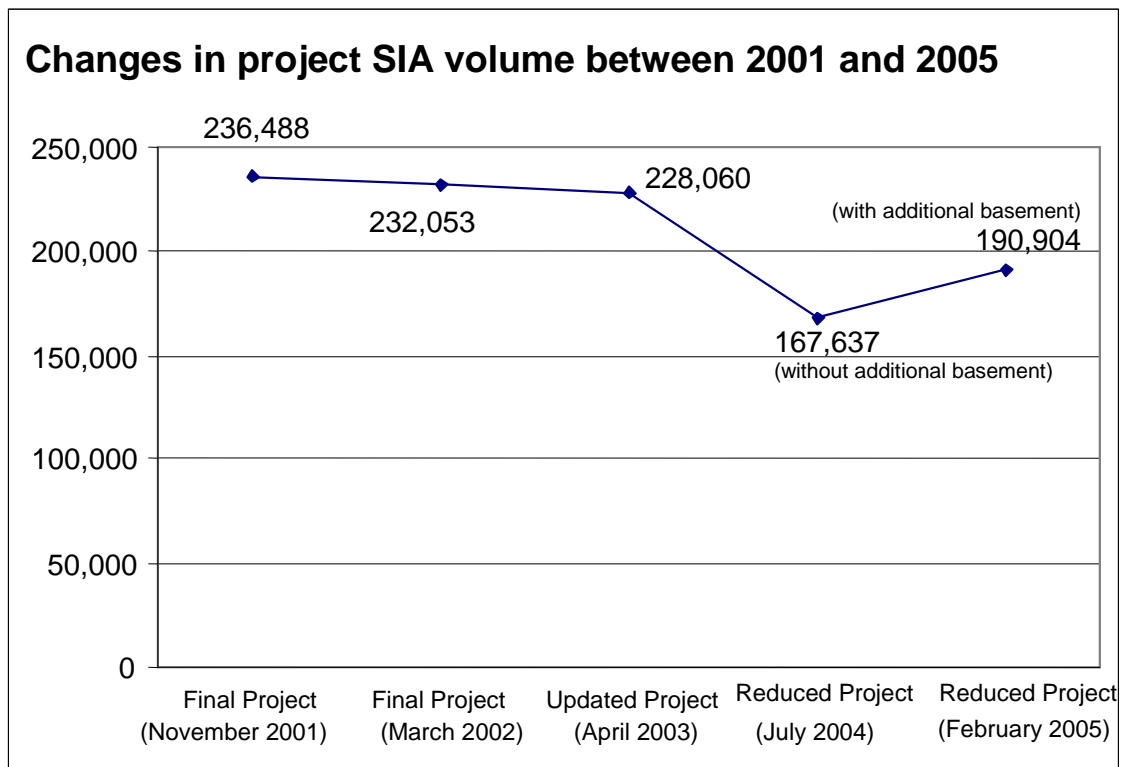
[Appendix 1 follows]

APPENDIX 1

[Appendix 2 follows]

APPENDIX 2

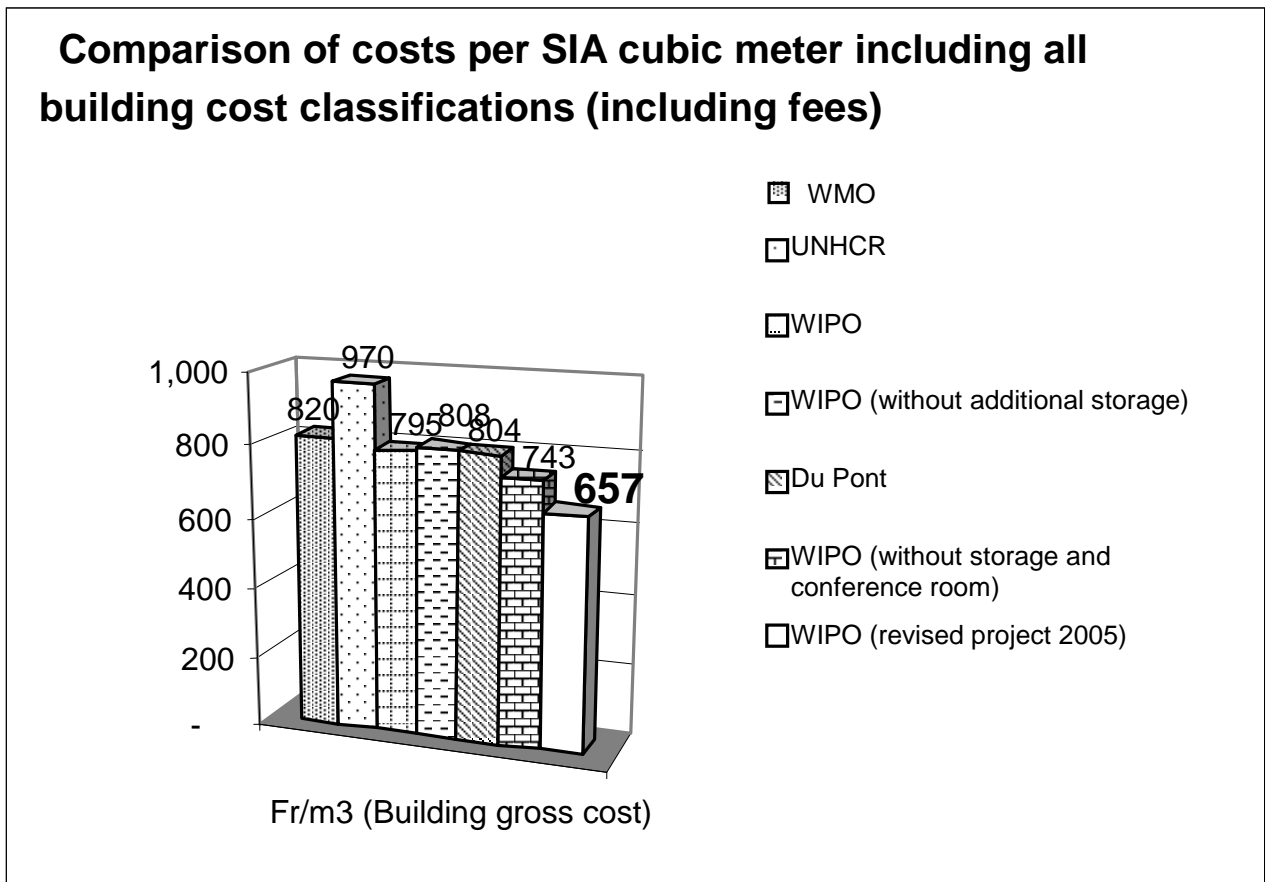
Annex No. 2 to 1.5229.944.00330.04



[Appendix 3 follows]

APPENDIX 3

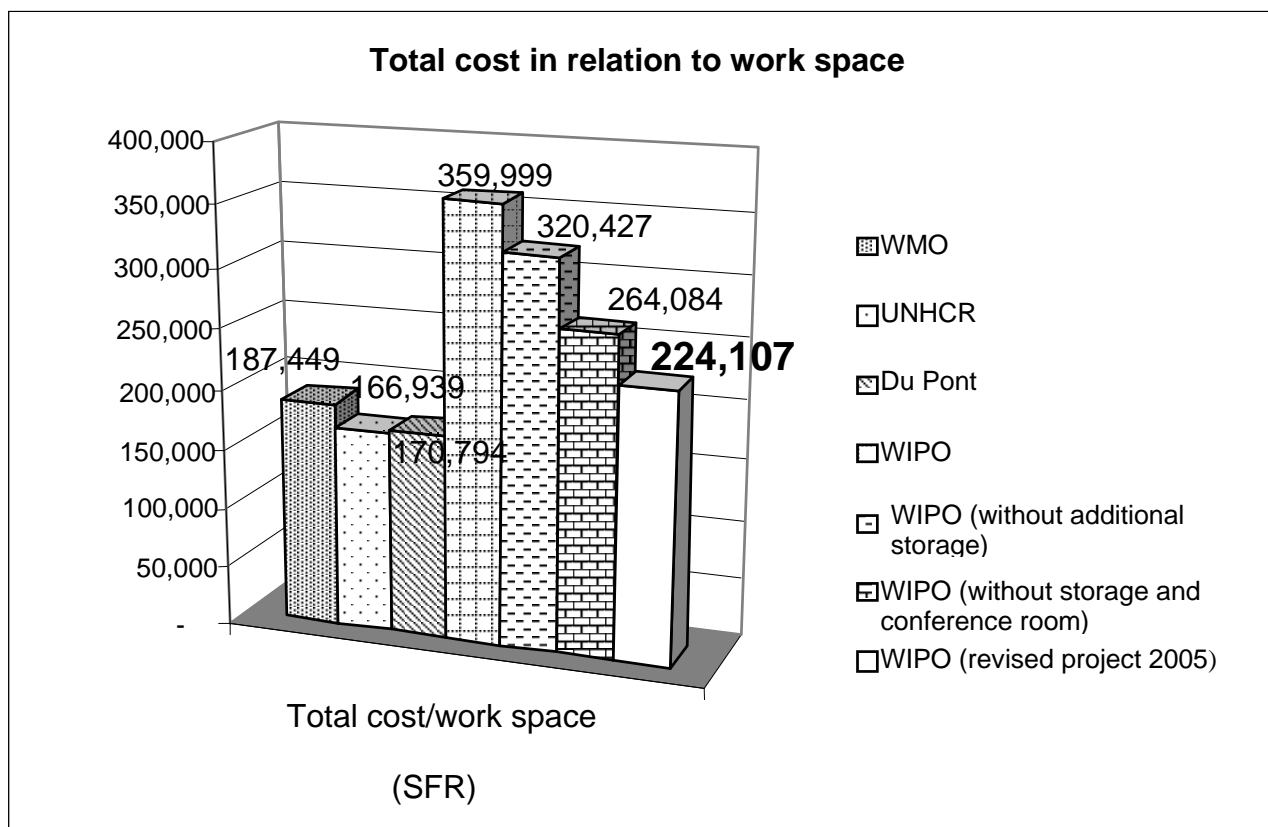
Annex No. 3 to 1.5229.944.00330.04



[Appendix 4 follows]

APPENDIX 4

Annex No. 4 to 1.5229.944.00330.04



[End of Annex and of document]