

## **Assemblies of the Member States of WIPO**

**Fifty-Fifth Series of Meetings**  
**Geneva, October 5 to 14, 2015**

REPORT BY THE EXTERNAL AUDITOR

*prepared by the Secretariat*

1. The present document contains the Report by the External Auditor (document WO/PBC/24/5), which is being submitted to the WIPO Program and Budget Committee (PBC) at its twenty-fourth session (September 14 to 18, 2015).
2. Any decisions of the PBC in respect of that document will appear in the Decisions Taken by the Program and Budget Committee (document A/55/4).

[Document WO/PBC/24/5 follows]

## **Program and Budget Committee**

**Twenty-Fourth Session**  
**Geneva, September 14 to 18, 2015**

### **REPORT BY THE EXTERNAL AUDITOR**

*prepared by the Secretariat*

1. This document comprises the following items:
  - (i) The Independent Auditor's report which contains the opinion of the External Auditor on the financial statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2014;
  - (ii) Report of the External Auditor for the financial year 2014 to the 55<sup>th</sup> Series of Meetings of the Assemblies of the Member States of WIPO (also known as the "long form report"). This report contains the External Auditor's recommendations arising from the three audits undertaken during the year 2014/15;
  - (iii) Responses from the Secretariat of WIPO to the recommendations of the External Auditor;
  - (iv) WIPO's Statement of Internal Control, signed by the Director General.

2. The following decision paragraph is proposed.

3. *The Program and Budget Committee recommended to the General Assembly and other Assemblies of the Member States of WIPO, to take note of the Report by the External Auditor (document WO/PBC/24/5).*

[Report by the External Auditor follows]

## **INDEPENDENT AUDITOR'S REPORT**

**To**

**THE GENERAL ASSEMBLY**

**THE WORLD INTELLECTUAL PROPERTY ORGANISATION**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the World Intellectual Property Organisation (WIPO), which comprise the statement of financial position as at 31<sup>st</sup> December 2014, the statement of financial performance for the year ended 2014, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, and notes to the financial statements, for the financial period ended 31<sup>st</sup> December 2014.

### **Management's Responsibility for the Financial Statements**

As stated in the Notes to the Financial Statements, these financial statements and accompanying schedules and notes are prepared on the accrual basis of accounting, in accordance with International Public Sector Accounting Standards (IPSAS). Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement - whether due to fraud or error; (b) selecting and applying appropriate accounting policies; and (c) making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements - whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the World Intellectual Property Organisation as at 31<sup>st</sup> December 2014 and its financial performance and of its cash flows for the period 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2014 in accordance with IPSAS.

### **Report on Other Legal and Regulatory Requirements**

Further, in our opinion, the transactions of the World Intellectual Property Organisation that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WIPO Financial Regulations and Rules.

In accordance with the Regulation 8.10 of the Financial Regulations and Rules, we have also issued a long-form Report on our audit of the World Intellectual Property Organisation.

  
Shashi Kant Sharma  
Comptroller and Auditor General of India  
External Auditor  
New Delhi, India  
7 July 2015



**OFFICE OF THE  
COMPTROLLER AND  
AUDITOR GENERAL  
OF INDIA**

Our audit aims to provide independent assurance and to add value to the Management of World Intellectual Property Organization by making constructive recommendations

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**REPORT OF THE  
EXTERNAL AUDITOR**

**TO THE 55<sup>TH</sup> SERIES OF MEETING  
OF THE GENERAL ASSEMBLY OF**

**WORLD INTELLECTUAL  
PROPERTY ORGANIZATION**

**FOR THE FINANCIAL YEAR 2014**

## EXECUTIVE SUMMARY

1. This report presents the significant findings of the Comptroller and Auditor General of India's audit of the World Intellectual Property Organisation (WIPO) for the financial year 2014. The audit included audit of the financial statements of WIPO, audit of 'Enterprise Resource Planning System' of WIPO and audit of the Human Resource Management Department of WIPO.
2. On the basis of our audit, I am of the opinion that the financial statements for the financial period ended 31 December 2014 present fairly in all material respects the financial position of WIPO as on 31 December 2014 and of its financial performance during the period from 1 January 2014 to 31 December 2014. Accordingly, I have placed an unqualified audit opinion on the WIPO's financial statements for the financial period ended 31 December 2014.

### Financial Management

3. Surplus of WIPO for the year 2014 was 37 million Swiss francs, which has increased by 145 *per cent* as compared to surplus for the year 2013. Patent Cooperation Treaty (PCT) Union has weightage of 106 *per cent* in the surplus of 2014 (124.5 *per cent* in 2013). Thus, surplus / deficit of the WIPO was mainly influenced by surplus / deficit in the PCT performance.
4. Total revenue of WIPO increased by 5.3 *per cent* from 351.6 million Swiss francs in 2013 to 370.18 million Swiss francs in 2014. The largest source of revenue during 2014 was PCT Union, accounting for 76 *per cent* of total revenue. Revenue from PCT Union increased in the year 2014 by 7.7 *per cent* in comparison to year 2013.
5. In 2014, expenses in WIPO stood at 333.2 million Swiss francs, lower by one *per cent* compared to 2013. Representing the nature of work performed by the Organization, the largest expense for the Organization was personnel expenditure of 216.4 million Swiss francs, having share of 64.9 *per cent* of total expenses. Personnel expenditure in 2014 has shown an increase of 1.1 *per cent* compared to 2013.
6. We appreciate that on the basis of our observations, changes / improvements were carried out by the Management in the financial statements of WIPO for the year 2014.

## **Financial Issues**

7. We observed that the balance under USA Taxes receivable includes claims pertaining to old periods and reconciliation between claims and reimbursements was not regularly done. WIPO may expedite the process of reconciliation of outstanding claims with US Tax authorities.

8. According to the United Nations Policy Framework for IPSAS, though the UN will not recognize heritage assets, it will include a high level description of significant heritage assets in the notes to the financial statements. We observed that WIPO did not disclose details of heritage assets including 'works of art' in their financial statements. We also noted that physical verifications conducted in 2014 reported that some items classified as "works of art" were missing. We encourage WIPO to disclose details of heritage assets in the Financial Statements and may take steps for strengthening the security systems to prevent further loss of such assets.

## **Enterprise Resource Planning System**

9. WIPO started the implementation of ERP system in 2010 with four streams, which was to be over by end of 2015. As per the revised timeline, ERP system would be completed by the second quarter of 2016. Out of 19 projects listed under the ERP, one project was completed and seven projects have gone live. As there had been delays in completion of some projects and the ERP system consisted of interlinked projects, it was not possible to assess the overall benefits derived by the WIPO from the ERP system. WIPO maintained that it was not possible to assess the overall benefits derived from the ERP system as the portfolio was still in progress. We recommend that WIPO may continue exploring ways to limit the delay at a project level as well as the portfolio level in implementation of the Enterprise Resource Planning system so that the project could be completed as per revised timeline.

10. WIPO did not have Document Management System for projects undertaken under ERP system. In the absence of repository for the project related documents, WIKI was used to share management documents with WIPO staff as well as Audit. Some documents were not posted on the WIKI. When Audit requested documents not available in the WIKI, WIPO provided these through emails or by adding the document to the WIKI. We, therefore, urge WIPO to strengthen document management system so that project related documents are maintained at one place.



11. We observed that WIPO has not put adequate detail in deliverable/services under each milestone and weekly progress report of projects did not include sufficient details for monitoring the progress of issues, deliverables/services, contractual obligations, review of contractual performance of the contract. We urge WIPO to strengthen its contract management and monitoring mechanism for smooth and timely delivery of deliverables/services under defined milestones and augment documentation relating to contract modification.

12. We test checked the Weekly Project Status Report related to ERP HR Project- Phase I and found that several issues remained open for long period up to 83 weeks. Further, ERP Project Management Office (EPMO)/ Project Teams were not doing any sensitivity analysis of the issues to understand their importance in the overall project governance and prioritize their mitigation. WIPO may consider carrying out a sensitivity analysis of issues raised during the EPMO/Project Board meeting based on their criticality.

13. ERP progress report submitted to the PBC annually contains the total expenditure towards Implementation Partners. We noticed that there were no details regarding evaluation of their performance. WIPO may consider reporting the performance evaluation of External Implementing Partner to the Assemblies of the Member States as a part of progress report on implementation of the comprehensive Enterprise Resource Planning system.

#### **Human Resource Management Department**

14. We noted that WIPO subsidised the premium of insurance related to non-service incurred accidents. While we appreciate that it is a staff welfare measure, we are of the view that these payments were not supported by explicit provision in the Regulations. WIPO may, therefore, stop subsidizing the premium of insurance for non-service incurred accidents.

15. Amount of dependency allowance was being determined based on salary scale applicable in Geneva irrespective of the spouse's place of work though the regulations prescribe otherwise. We recommended that the practice of determining the limit of gross occupational earnings for spouse dependency allowance may be reviewed to be made compliant with the Staff Regulations and Rules.

**16.** In the cases of rental subsidy, we found that the provisions of office instructions need to be followed in a timely manner.

**17.** We observed that in respect of language allowance the provisions of the relevant rules were not being followed. WIPO may undertake further examination to demonstrate continued proficiency of staff members in receipt of Language Allowance and review the continued grant of Language Allowance when the staff member is transferred or appointed to a new position that requires the staff to be fully proficient in the language as per his or her appointment.

**18.** We noted that in the cases of overtime the requirements of the office instruction were not being complied with. We recommend that internal controls may be strengthened to ensure that requirements of the office instruction related to overtime are fully complied with.

**19.** We observed that there was non-adherence to the letter and spirit of regulations related to payment of special post allowance. WIPO needs to follow provisions of Regulations 3.11 and 3.22, while authorizing the extension of special post allowance beyond 12 months under exceptional circumstances.

## **Introduction**

### **Scope and Approach of Audit**

1. The audit of the World Intellectual Property Organization (WIPO) was assigned to the Comptroller and Auditor General of India for the financial years 2012 to 2017 in terms of approval of the WIPO General Assembly Fortieth (20<sup>th</sup> Ordinary) Session, Geneva, held from 26 September to 5 October, 2011. The scope of the audit is in accordance with Regulation 8.10 of the Financial Regulations and the principles set out in the Annex to these regulations.
2. The audit for the financial year 2014 was conducted as per an audit plan drawn up on the basis of risk analysis of WIPO conducted by us. Our work included audit of the financial statements of WIPO, audit of 'Enterprise Resource Planning System' and audit of the Human Resource Management Department. Professional reliance was placed, wherever necessary, on the work of the internal audit.
3. Important findings arising from these audits were discussed with the management and were thereafter conveyed to them through Management Letters. The more significant of these findings, appropriately aggregated, are presented in this report.

### **Auditing Standards**

4. The audit was conducted in accordance with the International Standards of Auditing issued by the International Federation of Accountants and adopted by the Panel of External Auditors of the United Nations, its Specialized Agencies and the International Atomic Energy Agency; Auditing Standards of the International Organization of Supreme Audit Institutions and Regulation 8.10 of the Financial Regulations of the WIPO and the Additional Terms of Reference governing the audit of WIPO as set out in the Annex to the Financial Regulations.

### **Financial Management**

5. Our audit included a review of the financial statements to ensure that there were no material errors and that the requirements of International Public Sector Accounting Standards (IPSAS) had been met. WIPO adopted IPSAS in 2010 and adopted IPSAS 28, 29 and 30 relating to Financial Instruments during the year 2013.

### Audit Opinion on the 2014 Financial Statements

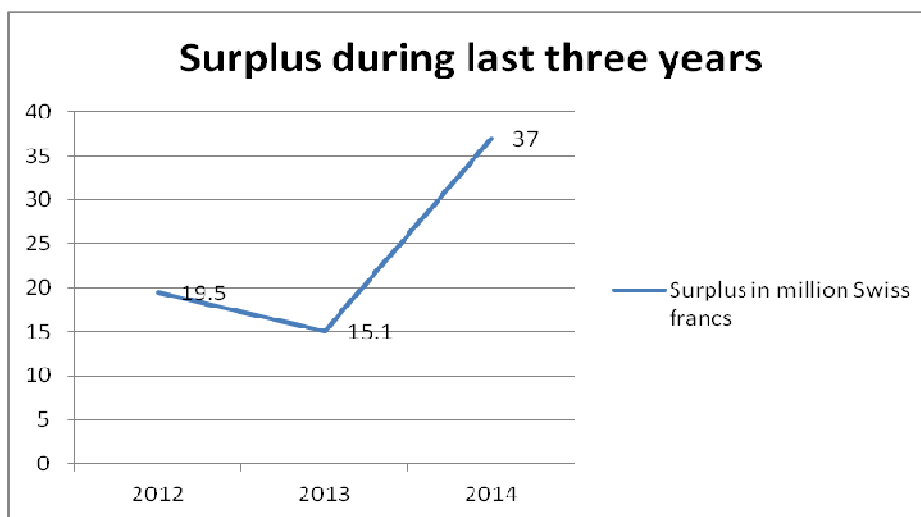
6. According to the terms of reference for the External Auditor, I am required to express an opinion on WIPO's financial statements for the financial period ended 31 December 2014. Audit of the financial statements for the financial period 2014 revealed no weaknesses or errors that I considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, I have placed an unqualified audit opinion on WIPO's Financial Statements for the financial period ended 31 December 2014.

### Key financial Indicators

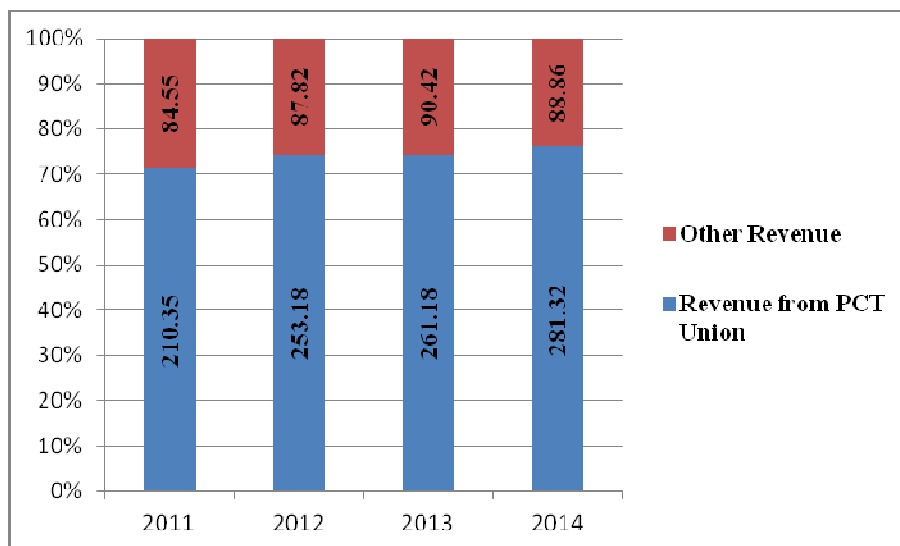
7. The key financial indicators that merit the attention of the Member States (MSs) are as below:

#### Operating Surplus / Deficit

8. The surplus / deficit is the difference between the revenue and expenses of WIPO during the year. Surplus for the year 2014 was 37 million Swiss francs which had increased by 145 *per cent* as compared to surplus for the year 2013 and by 89.7 *per cent* as compared to 2012.



9. We found that the improvement in the financial performance in 2014 as compared to 2013 and 2012 was mainly due to increase in the activities of Patent Cooperation Treaty Union which constituted 76 *per cent* of total revenue of WIPO in 2014.



### Segment Analysis

10. Revenue, expenditure and surplus/deficit across different segments\* is shown below:

*(Amount in thousands of Swiss francs)*

Year 2014						
Segment	Contribution Financed	PCT Union	Madrid Union	Hague Union	Lisbon Union	Special Accounts
Revenue	18,817	281,318	57,285	3,927	764	8,069
Expense	17,560	242,133	57,330	7,322	792	8,069
Surplus/deficit	1,257	39,185	- 45	- 3,395	-28	0
Year 2013						
Revenue	19,277	261,181	58,456	4,531	1,308	6,858
Expense	19,068	242,349	59,749	7,603	852	6,858
Surplus/deficit	209	18,832	- 1,293	- 3,072	456	0
Year 2012						
Revenue	18,631	253,183	54,329	3,442	390	7,021
Expense	18,414	232,104	56,159	6,854	734	7,021
Surplus/deficit	217	21,079	- 1,830	- 3,412	- 344	0
Year 2011						
Revenue	18,080	210,345	53,731	3,260	215	7,506
Expense	18,954	234,316	57,838	5,981	752	7,506
Surplus/deficit	- 874	-23,971	- 4,107	- 2,721	- 537	0

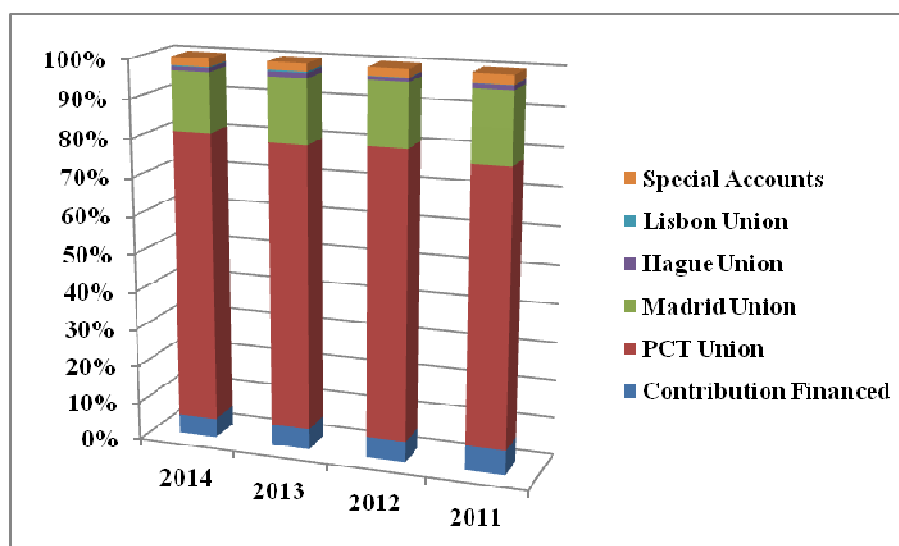
\* Segment reporting is presented in a format which represents the various Unions as the segments that make up the WIPO.

11. Total revenue of PCT Union has weightage of 106 *per cent* in the surplus of 2014 (124.5 *per cent* in 2013). Thus, surplus / deficit of the WIPO were mainly influenced by surplus / deficit in the PCT performance.

12. In 2014, while expenses decreased by one percent, revenue increased by 5.28 *per cent* over 2013 resulting in a surplus of 37 million Swiss francs, up by 145 *per cent* from 2013.

### Revenue

13. For the year 2014, total revenue of WIPO was 370.2 million Swiss francs, which increased by 18.6 million Swiss francs compared to the 2013 total revenue of 351.6 million Swiss francs.



14. As shown above, the largest source of revenue during 2014 was PCT Union, accounting for 76 per cent of total revenue. Revenue from PCT Union increased in the year 2014 by 7.7 per cent in comparison to year 2013. PCT activity continued to increase, and the number of applications filed in 2014 totaled an estimated 214,900 compared to 205,270 in 2013 and 195,334 in 2012.

15. Madrid Union revenue represented the second largest source of revenue for the Organization, accounting for 15.5 *per cent* of total revenue. Revenue from Madrid Union decreased by two *per cent* compared to 2013. In 2013, it grew by 7.6 *per cent* as compared to 2012. Revenue from Hague Union in 2014 decreased by 604,000 Swiss francs compared to the previous year.

16. Revenue from assessed contributions of 17.9 million Swiss francs represented 4.8 *per cent* of total revenue, while revenue from voluntary contributions of 8.9 million Swiss francs received under Special Accounts represents 2.4 *per cent* of total revenue.

### Expenses

17. In 2014, expenses in WIPO stood at 333.2 million Swiss francs, and it decreased by one per cent compared to 2013 total expenses of 336.5 million Swiss francs.

18. Representing the nature of work performed by the Organization, the largest expense for the Organization in 2014 was personnel expenditure of 216.4 million Swiss francs, having share of 64.9 per cent of total expenses. Personnel expenditure has shown an increase of 1.1 per cent compared to 2013.

19. Contractual services remained as the second largest expense of the WIPO in 2014 at 63.6 million Swiss francs, having share of 19.1 per cent of total expenses. Contractual services expenses have decreased by 2.2 per cent compared to 2013.

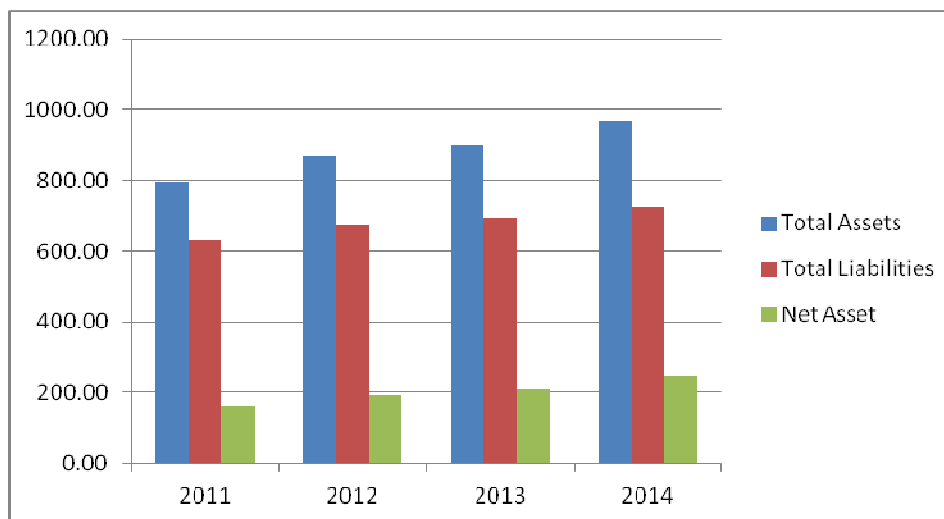
20. Operating expenses in 2014 were 20.9 million Swiss francs, having share of 6.3 per cent of total expenses incurred by the WIPO. Operating costs have fallen by 1.3 per cent compared to 2013.

21. Travel and fellowships expenses were 15.4 million Swiss francs for the year 2014 and having share of 4.6 per cent of total expenses. These expenses have decreased by 20 per cent compared to the year 2013.

22. Expenses for supplies and materials were 1.8 million Swiss francs for the year 2014. It has decreased by 44.8 *per cent* compared to year 2013.

### Financial Position

23. As at 31<sup>st</sup> December 2014, the Organization has net assets of 245.8 million Swiss francs, with total assets of 969.4 million Swiss francs and total liabilities of 723.6 million Swiss francs. Net assets have increased to 245.8 million Swiss francs at the end of 2014 compared to 208.8 million at the end of 2013 as a result of the surplus of 37 million Swiss francs for 2014.



### Budgetary Performance

24. WIPO prepares biennium budget. The biennium budget of 674 million Swiss francs for the period 2014 - 2015 was approved by the Assemblies of the MSs of WIPO on December 12, 2013. As per the annual budget prepared by WIPO in compliance with IPSAS requirements, the total budget revenue for 2014 was 351.3 million Swiss francs. In 2014, actual total revenue was 378.7 million Swiss francs which were 27.4 million Swiss francs more than budgetary estimation. Total expenses for the year were 308.8 million Swiss francs which were 28.2 million Swiss francs lesser than the budgetary estimates.

### Improvements effected in the Financial Statements for 2014 as a result of External Audit

25. We appreciate that the management carried out changes / improvements, based on the external audit observations, in the financial statements for the years 2014. Some of the significant improvements are stated below:

- i. The finance cost incurred during 2014 amounting to 3.26 million Swiss Francs was shown separately as line item in the statement of performance as required under paragraph 102 of IPSAS 1.
- ii. Effect of exchange rate changes on cash and cash equivalents which amounted to a gain of 2.14 million CHF was reported in the cash flow statement as required under paragraph 39 of IPSAS 2.



- iii. 219 missing items of inventory with purchase value of 759,439 CHF and depreciated value of 5,656 CHF were written off.
- iv. The US taxes reimbursable under receivable (exchange transaction) were revalued to obtain the fair value as per IPSAS 30 and a portion (3.39 million Swiss francs) was classified as non-current assets.

## **Audit Findings**

### **Financial Matters**

#### **Accounts Receivable, Advances and Prepayments**

26. The balance under the account USA Taxes reimbursable represents the taxes on income of WIPO employees working in the United States of America, which are paid by WIPO on the employees' behalf, and reimbursed subsequently by the USA in accordance with an agreement signed between WIPO and the USA.

27. From 2002 to 2014, WIPO had made claims totaling USD 7,166,818 to the USA for reimbursement of taxes paid on its employees' behalf, against which it has received USD 3,170,887 (44.2 per cent). WIPO has not been able to reconcile the reimbursements with the claims as the US Tax Authorities were not providing tax-payee or year wise details of the reimbursements. A perusal of the correspondence with US tax authorities revealed that there were cases where the claims by WIPO for reimbursement have been contested by the US.

28. WIPO stated that they had no reason to consider that the reimbursement of these balances was in doubt.

29. We are of the view that it would be appropriate to expedite the process of reconciliation with US Tax authorities.

#### **Recommendation 1**

**WIPO may expedite the process of reconciliation of outstanding claims with US Tax authorities.**

30. Accepting the recommendation, WIPO stated that the process of reconciliation can only be completed if the US Tax authorities are able to provide sufficient detail behind the reimbursements which have been made to the Organization.

#### **Non-Disclosure of Heritage Assets**

31. According to the United Nations Policy Framework for IPSAS, though the UN will not recognize heritage assets, it will include a high level description of significant heritage assets in the notes to the financial statements.

32. We observed that WIPO did not disclose details of heritage assets including ‘works of art’ in their financial statements. We also noted that physical verifications conducted in 2014 reported that 13 items classified as “works of art” were missing (including four which were probably in the rooms, but locked cupboards could not be accessed).

33. WIPO stated that IPSAS does not require disclosure of heritage assets which have not been recognized in the financial statements. Further, the current UN Task Force guidance on heritage assets is to not recognize them in the financial statements.

#### **Recommendation 2**

**WIPO may disclose details of heritage assets including works of art in the Notes to the Financial Statements and may take steps for strengthening the security systems to prevent further loss of such assets.**

34. WIPO accepted the recommendation and proposed to discuss the issue of heritage assets at the next UN Task Force meeting in October 2015. Following this, consideration will be given to the possibility of more detailed disclosure for the 2015 financial statements. They added that upon publication of a new office instruction on Assets Management, responsibility for the collection of works of art will fall under the Premises Infrastructure Division, and various measures, including strengthening the security systems, will be implemented.

#### **Reconciliation of Statement of Budgetary Comparison and Statement of Financial Performance**

35. Statement V forming part of WIPO’s Annual Financial Statements for 2014 depicts the comparison between budget and actual amounts. There were material variance between budget and actuals in many of the items of Revenue and Expenditure.

36. Paragraph 14 (c) of IPSAS 24 requires that the comparison of budget and actual amounts shall present separately for each level of legislative oversight by way of note

disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

37. As per Note 22, the Program Performance Report (PPR) for 2014 provides an explanation of both changes between the original and final budget after transfers, and the material differences between the budget and the actual amounts. We observed that PPR for 2014 was not prepared till the time of audit.

38. WIPO stated that the final audited financial statements are generally presented to the PBC at the same time as the PPR and it is not necessary to repeat this information in both documents. WIPO informed that in 2015, the PPR is expected to be presented at the July session of the PBC, which will be earlier than the financial statements.

### **Recommendation 3**

**WIPO may consider preparing the Program Performance Report before the conclusion of financial audit or provide explanation for the variance between budget and actuals in the financial statements in compliance of IPSAS 24.**

39. WIPO stated that draft resource explanations prepared for the PPR would be shared during the audit in future.

### **Delay in Receipt of Fees**

40. As per Paragraphs 272 and 273 of the WIPO's Guidelines for the processing by receiving offices of international applications under the Patent Cooperation Treaty as in force from July 1, 2013 read with Rule 15.2 (c) & (d) and Rule 16.1 (c) & (d) of Regulations under the PCT, the receiving offices, i.e., Intellectual Property Offices (IPOs) should each month, transfer to the International Bureau and the International Searching Authority respectively, moneys received as international filing fee and search fee during the preceding month. When transferring the international filing fee, IPOs should, by letter, facsimile transmission or in electronic form, communicate to the International Bureau the international application number, the name of the applicant and the total amount of the international filing fee.

41. We observed that the aforesaid provisions were not being followed by the State Intellectual Property Office (SIPO), China, as significant delays ranging from three to twelve months were noticed during 2014 in receipt of fees from SIPO. Lately, there has been some

improvement in receiving of fees from SIPO, still there were average delays of more than three months.

42. WIPO stated that the International Bureau has been in regular contact with SIPO about the timeliness of the transmittal of international filing and handling fees for quite a while.

#### **Recommendation 4**

**The International Bureau may consider intensifying its efforts to receive fees from Intellectual Property Offices timely.**

43. WIPO accepted the recommendation and stated that SIPO has been making constant progress on the issue and since the beginning of 2015, the average time of transmittal was reduced to three months, which constituted a remarkable improvement compared to the same period in 2014. They added that the International Bureau is committed to continue working with SIPO on this issue and further improvements can be expected in the near future.

## **Enterprise Resource Planning System**

### **Background**

44. WIPO opted for the phased implementation of its Enterprise Resource Planning system in 2003 with MSs' approval of the implementation of the Administrative Integrated Management System (AIMS) project which addressed the financial and budget reporting needs of WIPO.

AIMS was completed on-time and within budget and has been in effective use since 2004. In 2008, MSs approved the Financial Regulations and Rules (FRR) and International Public Sector Accounting Standards (IPSAS) project which covered the implementation of the Procurement and Asset Management modules. The FRR-IPSAS system went live in January 2010.

45. The forty-eighth session of the Assemblies in September 2010 approved the Implementation of a Comprehensive Integrated Enterprise Resource Planning (ERP) System with a view to:

- Modernize core administrative, management and customer service functions;
- Improve efficiency and productivity of administrative and management processes;

- Enhance the capability to provide better information to MSs, stakeholders and management.
- 46.** The ERP system was being implemented through a portfolio of inter-related projects. The first stream of projects was to provide WIPO with a comprehensive set of tools to strengthen Human Resource Management (HR), comprising position management, benefits and entitlements, payroll, recruitment, staff performance, learning and development.
- 47.** The second stream of projects was to provide WIPO with a set of tools to strengthen the implementation of Results-Based Management, comprising biennial planning, annual work planning, implementation monitoring and performance assessment and reporting. The Business Intelligence (BI) analytical tool would be introduced in support of Enterprise Performance Management (EPM). As all streams progress, more data would be available in the ERP system and the BI solution would progressively enable improved reporting to MSs, management and staff on organizational performance, results, and human and financial resources.
- 48.** The third stream of projects would enhance the existing finance, procurement and travel systems through configuration changes and upgrades which would enable the introduction of new functionality and improvements to business processes and the introduction of new modules.
- 49.** The fourth stream would lay the foundations for improved Customer Relationship Management (CRM) by supporting business led projects, such as mailing list tools, contact databases, access management and customer analytics.
- 50.** The ERP system is a critical enabler and prerequisite for the modernization of WIPO's key administrative and management business processes. This system would:
- provide the automation and horizontal integration necessary to drive productivity and efficiency improvements by making processes more responsive and better able to serve the business;
  - modernize WIPO's core administrative, management and customer-service functions;
  - enable the capability to provide better information on performance and resource utilization to the MS and management;
  - help ensure compliance with the regulatory framework by enforcing the responsibility, accountability and authority structure.

### Internal Audit and Independent Validation and Verification

51. The implementation of the ERP system was subject to audit by Internal Audit and Oversight Department (IAOD) in 2013-14. IAOD took up ‘Review of Data Migration to the New Human Resources Management System’ and came up with two recommendations. WIPO confirmed that these have been implemented by July 2014 and have been assessed as closed by IOD.

52. WIPO hired an external service provider Gartner Consulting to perform an independent verification and validation review of the ERP system during the second half of 2013. The review, completed over a six week period, identified 58 recommendations. WIPO stated that all recommendations were implemented by April 2014.

### Present Status of ERP implementation

53. WIPO started the implementation of ERP system in 2010 with four streams. As per the original proposal, ERP implementation was to be over by end of 2015. The present status of the projects under the portfolio is given below.

Stream	Project	Original Target	Status
PMO	Vision document	Q2 2011	Complete
HR	Core HR / Payroll	Q2 2012	Live*
HR	Recruitment	Q1 2015	In-progress
HR	Self-Service	Q1 2015	In-progress
HR	Performance and Learning Management	Q1 2013 to Q1 2014	Planned
HR	Staff Welfare	Q3 2015	Planned
AIMS	PeopleSoft 9.1 Upgrade	Q4 2013	Live
AIMS	PeopleSoft 9.2 Upgrade	Q4 2013	Initiation

\*The term “complete” has been used for the Vision document as it had no system delivery, while “live” has been used to describe the progress of the projects with system delivery implications.

AIMS	Online Booking Tool	Q4 2013	Live (under stabilization)
EPM	Biennial Planning (14/15)	Q1 2015	Live
EPM	Annual Work Planning	Q1 2015	Live
EPM	Monitoring and Assessment	Q1 2015	Live
EPM	Biennial Planning (16/17)	Q1 2015	In-progress
EPM	Enterprise Risk Management	Q1 2015	Live (under stabilization)
EPM	Business Intelligence	Q1 2015	In-progress
CRM	Customer Data Warehouse	Q4 2015	Idea
CRM	Conference Service Transition	Q4 2015	Idea
CRM	DSS Transition	Q4 2015	Idea
CRM	Customer Financial Reporting	Q4 2015	Idea

54. The current status of portfolio of projects indicated that out of 19 projects listed under the ERP, one project was completed, seven projects have gone live out of which two were under stabilisation process, four projects were in progress out of which two had not reached the stage of PID and fit-gap analysis, three projects were planned/initiated and four are on idea stage only.

55. As per the revised timeline reported to the MSs in the 2014 ERP progress report (*Annexure I*), ERP system would be completed by the second quarter of 2016. As there had been delays in completion of some projects and the ERP system consisted of interlinked projects, it was not possible for us to assess the overall benefits derived by WIPO from the ERP system.

56. WIPO maintained that it was not possible to assess the overall benefits derived from the ERP system as the portfolio was still in progress.

#### **Recommendation 5**

**WIPO may continue exploring ways to limit the delay at a project level as well as the portfolio level in implementation of the Enterprise Resource Planning system so that the project could be completed as per revised timeline, which will be presented to the Member States in September 2015.**

57. WIPO agreed on the need to limit the delay. Recognizing the project management constraints triangle of cost, quality and time, they have placed an emphasis on quality and cost over time, especially for the payroll project which demanded 100 *per cent* accuracy. WIPO stated that they would submit a new updated timeline in the 2015 ERP progress report to the MSs and try to implement the project by the updated timeline.

### **Documentation**

58. We observed that WIPO did not have Document Management System for projects undertaken under ERP system. In the absence of repository for the project related documents, WIKI was used to share management documents with WIPO staff as well as Audit. Some documents were not posted on the WIKI. When Audit requested documents not available in the WIKI, WIPO provided these through emails or by adding the document to the WIKI.

59. WIPO stated that in the absence of a document management system, the ERP Project Management Office and the different project teams currently used existing tools available including the filing system and the WIKI to ensure that documents were filed and could be accessed by users.

### **Recommendation 6**

**WIPO may strengthen document management system so that project related documents are maintained at one place.**

60. WIPO accepted the recommendation. They stated that, while the current documentation system and tools served the purpose, the Organization would benefit from an Enterprise Content Management System (ECM). The ECM initiative is currently identifying its high priority scope elements and WIPO will take the opportunity to assess whether the ERP Portfolio could be one of the early adopters to benefit from the ECM system that is planned to be deployed.

### **Costing of the Elements**

61. The cost split and estimated cost by end of the project is as under:



(Cost in CHF)

Element	Budgeted Cost	Estimated Cost by end of the project	% of Budgeted cost
Application Hosting	1,383,360	674,911	48.79
Software Acquisition and Maintenance	3,989,738	3,095,862	77.60
Project Personnel	5,564,680	8,772,279	157.64
User back-filling resources	2,703,800	1,912,510	70.73
External Implementation Partner	9,896,109	10,199,546	103.07
Training	1,253,780	474,673	37.86
Communications and other	550,000	208,916	37.98
<b>Grand Total</b>	<b>25,341,467</b>	<b>25,338,698</b>	<b>99.99</b>

62. While approving the ERP project, the MSs were concerned about the overall cost of the project. They requested that the reports that WIPO would provide should describe specific steps being taken to contain the costs of the project. One aspect of the overall cost which especially caught the MSs' attention was the amount that would go to project personnel, back-filling personnel and an external implementation partner.

63. We observed that:

- i. The cost of project personnel, back-filling personnel and an external implementation partner would be 82.42 *per cent* against the original estimation of 71.68 *per cent*. These estimations were based on presumption that all projects will be finishing by second quarter of 2016.

WIPO stated that while the external implementation partner estimate is not expected to exceed the original estimates, the cost of project personnel is likely to exceed the estimates due to the increased usage of internal resources to perform activities such as training and communication, as reported previously to the MSs in the 2014 ERP progress report. They added that the cost of people (both internal and external) was continually increasing whilst at the same time the cost of technology, such as hardware and software, which used to be high were significantly lower. Therefore, the proportion of the total costs allocated to people in an implementation project is now significantly higher than in the past.

- ii. There would be savings in 'Training' (62.14 *per cent*) and 'Communication and other' (62.02 *per cent*) in the ongoing project of ERP System. Pertinently, WIPO had also savings in 'Training' (75.5 *per cent*) and 'Communication and other' (60.9 *per cent*) while implementing an earlier project, viz. IT Modules to establish compliance with the FRR-IPSAS project. This indicated that the cost calculation methodology adopted for working out cost for each element needed to be reviewed.

WIPO stated that they had reviewed the FRR-IPSAS budget and actuals to understand the 'savings' and attempted to apply these to the ERP Portfolio budget estimates, being careful not to assume that these savings would always necessarily occur. The original training planning assumptions had assumed a certain mix of on-site and off-site training events and WIPO endeavoured to impart the majority of the training through internal resources. The costs of these internally sourced training events was not recorded against the Training budget, as the personnel delivering these was charged to Project Personnel, as per the standard accounting practice at WIPO. They added that the cost calculation methodology has proved to be robust and was used to calculate what funds needed to be secured to deliver a project, not how the actual delivery of the services would be performed. At the end of each project, WIPO conducted a lessons learned exercise.

64. We appreciate the efforts of WIPO in controlling training cost. However, in view of the anticipated cost over-run in project personnel and external implementation partner and savings in 'Training' and 'Communications and Other', we are of the view that there is a need to review the cost calculation methodology.

#### **Recommendation 7**

**WIPO may take steps to further strengthen its cost calculation methodology, so that there is no wide variation between the budgeted and actual cost of individual elements at the portfolio level.**

65. WIPO stated that they would submit a revised portfolio budget, by stream and cost element in the 2015 ERP progress report to the MSs. Accepting that wide variations need to be analyzed, WIPO maintained that there would always be a variation between budget and actual costs especially with regard to a multi-year project such as the ERP and at present, the

ERP Portfolio overall project has no wide variations between budget and actual costs and that they make every effort to minimize, as much as possible, the variations.

### **Comprehensive Governance Structure**

**66.** In the Progress Report on the implementation of ERP System (WO/PBC/18/12), WIPO stated that the implementation approach would include consciously reviewing and mitigating key risks through strong Portfolio Governance and the adoption of best practices. PRINCE2 project management methodology, which WIPO used for management of the project, also emphasizes on establishing and maintaining common planning and control tool.

**67.** We observed that:

- WIPO has implemented common implementation strategy in January 2014.
- AIMS Portfolio Board has its first meeting in March 2014 and AIMS Steering Committee first met in June 2014.
- To manage changes in the projects, formal Change Management Strategy was implemented from October 2014.

**68.** We further noticed from Project Initiation Documents that different projects had followed different planning, quality assurance and project management methods including detailing in the Quality Management Strategy, Risk Management Strategy, Stage Plans and Tolerance Limits. For example, quality expectations were defined in detail along with the criteria in HR Payroll PID which was ignored in EPM PID. Similarly, quality assurance mechanism which was defined in detail in HR Payroll PID was not dealt by EPM PID, OBT PID.

**69.** WIPO stated that WIPO's common project management methodology is PRINCE2, which the portfolio has always followed. As part of the review performed in 2013, WIPO enhanced the PRINCE2 methodology, to make it more specific to the ERP portfolio. This became the common implementation and monitoring methodology from the start of 2014. We appreciate that the governance structure and common approach was strengthened subsequent to Gartner's review and recommendation.

## **Audit Module**

70. One of the expected benefits defined in the Business Case (Version 1.2 dated 2014) of AIMS portfolio was to comply with internal controls, data security, confidentiality and audit trail requirements.

71. We observed that there was no audit module envisaged in the ERP system. Internal Audit and Oversight Department extract data from the database (tables) and uses the ACL for auditing. As WIPO is implementing BI Management tool to work as an MIS, this could be an useful tool for IAOD and any external reviewer, provided audit requirements are considered in developing BI reporting tool.

72. WIPO stated that the dialogue between IAOD and the WIPO ERP team on audit requirements was an ongoing process. Through the discussions between IAOD and the BI project, WIPO would gather IAOD's audit requirements which can then hopefully be incorporated and made available to IAOD and other stakeholders.

## **Recommendation 8**

**WIPO may continue to engage with various stakeholders and prepare a time bound action plan for generating customized/exception reports.**

73. WIPO accepted the recommendation. As part of the business intelligence ongoing activities, a monthly meeting with stakeholders is held to identify, capture and prioritize reporting requirements.

## **Contract Management**

74. As per the contract between WIPO and Cedar Consulting (UK) Limited (External Implementing Partner), Core HR and Payroll Management system was to be implemented in 15 months from 1 August 2012 at an amount of CHF 1,997,925. However, there was a delay of more than 11 months in sign-off of the final stage and there were delays ranging from two to eight months in signoff of different stages, as is evident from the following table:

<b>Stage/Milestone</b>	<b>Planned Time Frame</b>	<b>Actual Signoff</b>	<b>Delay (in Months)</b>
Initiation and Mobilization	July 2012 to August 2012	5.11.2012	2
Definition and Design (Part 1)	August 2012 to October 2012	19.12.2012	2
Definition and Design (Part 2)	October 2012 to December 2012	5.04.2013	4
Build and Unit Test (Part 1)	December to January 2013	29.04.2013	3
Build and Unit Test (Part 2)	January 2013 to April 2013	5.07.2013	3
System Test	April 2013 to June 2013	2.02.2014	7
Accept and Deploy	June 2013 to August 2013	17.04.2014	8
Warranty	August 2013 to October 2013	9.10.2014	11

75. For the above works, WIPO made payment of CHF 2,505,517.50 to vendor, which was CHF 507,592.50 (25.41 *per cent*) more than the contracted amount. The extra payment was on following account:

<b>Purpose</b>	<b>Extra Payment (in CHF)</b>
UNHCR Prototype	98,922.50
Payroll Training	13,600.00
CR Milestone 1	20,396.00
CR Milestone 2 and CR Milestone 3	47,734.00
Training Material	52,500.00
Vendor Interface	3,750.00
Security	16,100.00
CR Milestone 4	22,035.00
Post Go-Live Support	60,000.00
Post CR	157,155.00
Transition Manager	15,400.00
<b>Total Extra Payment</b>	<b>507,592.50</b>

76. We observed that:

- i. As the reason for delay was not defined in any sign-off document, it was not clear whether delay was attributable to Implementing Partner or to WIPO.
- ii. WIPO made separate Statement of Work for the above works except for Post Go-Live Support and UNHCR Prototype and accordingly payment was made to the vendor. WIPO stated that the UNHCR prototype was performed as a separate piece of work prior to the core HR and Payroll project contract and should not be included in the extra payment compared to the contract.
- iii. Out of seven deliverables/services defined in the contract document, sign-off was not done for two deliverables/services (“input into development of the training material” and “support for integration testing”) in Milestone 5 Build and Unit Test (Part 2). For “input into development of the training material”, WIPO stated that it could not deliver the training material due to internal resource limitations and therefore, the vendor could not input into the development. As a result, a separate piece of work was created to develop the training material at a cost of CHF 66,100. WIPO confirmed that this work was completed at the actual cost of CHF 52,500. As regards “Support for integration testing”, it should not have been part of Milestone 5, which related to build and unit test and not integration test. This was subsequently added as a deliverable to Milestone 6.
- iv. Out of five deliverables/services which were signed off under the Milestone 5, one was complete and others were signed in anticipation that the vendor would complete the unfinished work.
- v. WIPO made payment of CHF 16,100 to vendor by creating separate work for ‘security build, Unit Test and Support’ in Milestone 7.  
  
WIPO replied that the fixed price contract included the vendor responsibility for functional and technical design of security (Milestone 3), which they provided. WIPO was then responsible for build, unit test and support of security. When WIPO could not fulfill its obligation, WIPO asked the vendor, under a separate statement of work, to perform this, as part of Milestone 7.
- vi. WIPO made payment of CHF 157,155 to the vendor because of change in scope of Milestone 6 and 7. As per the contract, the vendor was responsible for doing fit-gap analysis, deciding the scope confirmation, understanding business requirements,

defining data conversion and defining interface of HR module with system. We noticed that the invoice for the first change request was raised on the same day when signoff for completing the technical design (Milestone 3) was made. This indicated that the business requirements were not completely captured during fit gap analysis and later on remaining business requirements were charged to WIPO as Change Requests, for which WIPO made payment amounting to CHF 90,165.

WIPO replied that during the requirements gathering and fit-gap analysis, a number of requirements were identified that were not included as part of the original fixed price scope. The additional requirements were discussed and included in the technical design. Once the technical design was confirmed by WIPO, the change request invoice was raised. Accordingly, the invoice date of the change request matched the technical design milestone, as both were performed together and not because requirements had not been completely captured.

- vii. In the monitoring mechanism, *i.e.*, weekly progress report of projects did not include sufficient details for monitoring the progress of issues, deliverables/services, contractual obligations, review of contractual performance of the contract.

77. WIPO replied that the sign-off was performed with some issues still open as in larger projects there is rarely a clean move from one stage to the next with no open issues. The issues were duly tracked to ensure completion in later stages. While accepting that formal documentation relating to a contract modification would be an improvement, WIPO stated that it would investigate ways to improve the monitoring mechanism for contracted deliverables. They added that the specific issue with milestone 5 on the core HR and Payroll project was that there was an error in the initial contract, the integration testing should have been linked to milestone 6 instead of milestone 5. During the execution, it was recognized and ensured that this was tracked, delivered and paid against the correct milestone. However, the contract should have been modified to reflect this. WIPO maintained that deliverables management is performed by the Project Managers to ensure that internal and external deliverables are monitored and delivered according to plans / contractual obligations and that they only pay suppliers when their contractual obligations have been met.

## **Recommendation 9**

**WIPO may strengthen its contract management and monitoring mechanism for smooth and timely delivery of deliverables/services under defined milestones and augment documentation relating to contract modification.**

78. Accepting the recommendation, WIPO stated that they would ensure that any future modifications to contracted deliverables/milestones under defined milestones would be documented and reflected in a revised contract with the supplier.

### **PRINCE2 Project Management Methodology**

79. WIPO followed PRINCE2 project management methodology for implementation of ERP System. PRINCE2 project management methodology defined Stage Plan as an essential component of the Plan. It will be the basis of the Project Manager's day-to-day control. Project Board (in case of WIPO, ERP Portfolio Board) is responsible for review and approval of Stage Plans. The Project Board approves all major plans and authorizes any major deviation from agreed Stage Plans. It is the authority that signs off the completion of each stage as well as authorizing the start of the next stage.

80. We examined Project Initiation Documents of Vision, HR Phase I, Executive Business Intelligence, Enterprise Risk Management Solution, Enterprise Performance Management, Online Booking Tool and PeopleSoft Upgrade 9.1 and noticed that except in Enterprise Performance Management and Executive Business Intelligence, stages were either not defined or defined in a single line without having requisite detailing by which it can be monitored on day to day basis.

81. WIPO stated that PRINCE2 advocates tailoring and recognizes that depending on the scale of a project, "management products", such as a stage plan, may not be needed. Further, as all project and stage plans are approved by the appropriate boards in the Governance Structure, documenting such decisions will not be seen as adding value to the Portfolio management.

82. We noted that while PRINCE2 advocates tailoring, it also recommends that Stage Plan may not be needed if there is only one delivery stage. Further, we are of the view that the process of tailoring for a specific project should be documented.



## **Recommendation 10**

**WIPO may consider documenting the justification for non-development of stage plans in future.**

**83.** WIPO accepted the recommendation and stated that as part of future ERP project initiation documents, they would document any tailoring, such as no stage plans, that is being performed on the project.

### **Tolerance Limit and Exception Reporting**

**84.** PRINCE2 project management methodology describes Exception Report as essential tool for project management to see the deviation from the tolerance limits. An Exception Report describes a forecast deviation, provides an analysis of both the exception and the options for the way forward, and identifies the recommended option.

**85.** We examined Project Initiation Documents of Vision, HR Phase I, Executive Business Intelligence, Enterprise Risk Management Solution, Enterprise Performance Management, Online Booking Tool and PeopleSoft Upgrade 9.1 and noticed that except in PeopleSoft Upgrade 9.1 and Online Booking Tool, tolerance limits had not been defined. Further, the Exception Report to Project Board/Portfolio board was not submitted except in case of the Enterprise Business Intelligence.

**86.** WIPO stated that each project is evaluated by the AIMS Portfolio Board, on a case by case basis, to decide if tolerances will apply and the level of these and the absence of tolerances actually means that a project has no flexibility and all threats need to be reported as an exception. Having a set level of tolerances for all projects, irrespective of size, complexity, risk, *etc.*, is not appropriate or practicable. If tolerances are not mentioned in a PID then it explicitly means that no tolerance for the project has been approved and the project is expected to be delivered according to the scope, time, cost, quality, etc. defined in the approved PID. Further, all projects that have been initiated since the new governance structure was put in place at the start of 2014 have defined tolerances approved by the AIMS Portfolio Board.

**87.** We are of the view that in case WIPO considers adopting zero tolerance level for a project, PID should unequivocally indicate this, so as to avoid any ambiguity in this regard.

### **Recommendation 11**

**WIPO may, in future, consider explicitly defining the tolerance limits for projects and various stage plans**

88. WIPO accepted the recommendation and stated that as a part of future ERP project initiation documents, all tolerances would be documented.

### **Sensitivity Analysis of the Issues Concerning Project Execution**

89. For monitoring continuous progress of the project, EPMO has weekly meeting with concerned project team. The record of the meeting is kept as Weekly Project Status Report and updated in the Wiki. It has five heading namely, Activities Completed- Previous Period, Activities- Not Tracking to Plan, Activities Planned/Ongoing-Next Period, Issues, Problems or Concerns and Management Action Required.

90. We test checked the Weekly Project Status Report related to ERP HR Project- Phase I and found that several issues remained open for long period up to 83 weeks. It was further noticed that EPMO/ Project Teams were not doing any sensitivity analysis of the issues to understand the importance of it in the overall project governance and prioritize their mitigation whenever number of issues have been raised.

91. WIPO stated that they would consider using a simple sensitivity rating for each issue to help prioritization / escalation / resolution.

### **Recommendation 12**

**WIPO may consider carrying out a sensitivity analysis of issues raised during the EPMO/Project Board meeting based on their criticality.**

92. WIPO accepted the recommendation. In the future, as part of the monthly portfolio status report, issues will be colour coded based on a sensitivity analysis to help the portfolio board and others reading the document to clearly prioritize the issues that need attention. Once this has been successfully established, WIPO will encourage individual projects to perform the same sensitivity analysis and reporting of project-specific issues.

### **Electronic Document Management System**

93. WIPO had proposed to implement the Electronic Document Management System (EDMS) for ERP in 2011. Importance of the EDMS was stated in the assumption to the cost

estimates as follows: “A strategic EDMS will be agreed and the parts which will support the ERP will be implemented during 2011 as a project within the portfolio. This will provide a solution for the ERP related paper based documents, covering handling, workflow, and storage outside of the ERP through the Organization’s selected specialist document management tool. A delay in the decision or the implementation of the EDMS will impact the other project timeframes and/or costs.” EDMS was shown as a cost item under AIMS Enhancement. Later in 2014, progress report (WO/PBC/22/15) indicated that EDMS would be implemented as a part of Information and Communication Technology Department capital master plan initiative.

**94.** The changes in the different streams were mentioned in the progress reports submitted to Assemblies of MSs through PBC over the years but the new dimensions and impact of changes were not presented in the consolidated report to the Assemblies of the MSs. For example the impact of delay in the implementing EDMS to the ERP portfolio was not reported.

**95.** WIPO stated that the ERP Portfolio is considered to be one of the most comprehensively reported and transparent projects within WIPO. EDMS systems are not typically implemented at the same time as implementing an ERP. The majority of organizations implement one before the other and then integrate them later, if at all, as quite often the two can co-exist without any specific technical integration.

#### **Reporting the Performance Evaluation of External Implementing Partner**

**96.** ERP progress report submitted to the PBC annually contains the total expenditure towards Implementation Partners. We noticed that there were no details regarding evaluation of their performance.

#### **Recommendation 13**

**WIPO may consider reporting the performance evaluation of External Implementing Partner to the Assemblies of the Member States as a part of progress report on implementation of the comprehensive Enterprise Resource Planning system.**

**97.** WIPO accepted the recommendation and assured to include, in the 2015 ERP progress report, the performance of the major External Implementing Partners.

## Human Resource Management Department

### Background

98. Human Resource Management Department (HRMD) of WIPO is responsible for ensuring that WIPO has the human resources necessary to fulfill its mandate, through global sourcing of talent; by providing client-oriented and efficient HR services and by creating an enabling working environment and best employment practices. WIPO is a knowledge based organization and therefore human resources play a vital role. In the Program and Budget for the biennial 2014-15, HRMD is covered under program number 23 and it contributes to the WIPO Strategic goal IX - an efficient administrative and financial support structure to enable WIPO to deliver its programs.

99. The HR Planning section looks after recruitment, post classification and job descriptions. HR operations service section's activities include benefits and entitlements, pension, insurance, medical and social welfare. Performance and Development section looks after performance management and training. Policy and Law section's activities include internal administration of justice and HR policy development. WIPO follows the United Nations common system of salaries, allowances and benefits as circulated by International Civil Service Commission.

100. Category-wise and year-wise position of WIPO workforce is given below:

<b>Staff in post</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Directors and higher levels	63	61	64
Professional	434	429	460
General Service	497	520	531
<b>Subtotal staff in regular-funded post</b>	<b>994</b>	<b>1010</b>	<b>1055</b>
<b>Staff financed under reserves and Funds in Trusts</b>	<b>18</b>	<b>15</b>	<b>16</b>
<b>Total staff in post</b>	<b>1012</b>	<b>1025</b>	<b>1071</b>
<b>Temporary Staff</b>			
Temporary Professional	NA	94	85
Temporary General Service	NA	100	64
<b>Subtotal Temporary Staff</b>	<b>NA</b>	<b>194</b>	<b>149</b>
<b>Total Staff</b>	<b>1012</b>	<b>1219</b>	<b>1220</b>
<b>Non-staff</b>			
Interns, Fellows, short-term Translators/Revisors	230	66	64
Individual Contractual Services, temporary agency personnel	NA	11	15
<b>Subtotal Non-staff</b>	<b>230</b>	<b>77</b>	<b>79</b>

<b>Grand Total WIPO Workforce</b>	<b>1242</b>	<b>1296</b>	<b>1299</b>
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101. Category-wise and year-wise position of all recruitments is given below:

Category	2012	2013	2014
<b>Fixed Term Posts</b>			
Professional and higher	36	44	58
General Service	41	21	38
<b>Total Fixed Term Posts</b>	<b>77</b>	<b>65</b>	<b>96</b>
<b>Temporary Posts</b>	<b>21</b>	<b>41</b>	<b>37</b>

102. Increased recruitment activity was visible in the year 2014 as compared to 2013, with 96 competitions for regular appointments and 37 for temporary appointments, reflecting an increase of 48 *per cent* in regular appointment and a 10 *per cent* decrease in temporary recruitment. Of the 96 regular appointments, 58 were in the professional and higher category representing 32 *per cent* increase over 2013. 38 appointments were made in General Service category showing an increase of 81 *per cent* over 2013, as compared to a decrease of 49 *per cent* in 2013.

### Social Security

103. United Nations common system of salaries, allowances and benefits circulated by ICSC in August 2012 provides a source of general reference for the organizations. The section on social security provides for compensation for service-incurred death, injury or illness. It also states that the cost of group accident schemes should be borne in full by the staff member. Regulation 6.2 of the SRR of WIPO also provides for health protection and reasonable compensation in the event of illness, accident or death attributable to the performance of official duties.

104. We noted that WIPO subsidises the premium of insurance related to non-service incurred accidents. The amounts paid during the period covered under audit were CHF 79,686 in 2012, CHF 81,167 in 2013 and CHF 81,889 in 2014. While we appreciate that it is a staff welfare measure, we are of the view that these payments were not supported by explicit provision in the Regulations.

105. WIPO agreed that subsidizing the non-service incurred accident insurance covering staff, pensioners and family members, was not part of the ICSC compensation package.

#### **Recommendation 14**

**WIPO may stop subsidizing the premium of insurance for non-service incurred accidents.**

**106.** WIPO agreed to stop subsidizing the premium of the insurance for non-service incurred accidents with effect from 1 January 2016.

#### **Home Leave**

**107.** As per Regulation 5.3 of SRR, staff members, who perform their duties outside the country in which they have their home, shall be entitled once every two years, to take home leave at the expense of the WIPO, using their accrued annual leave. A staff member is also permitted to defer the home leave, with certain conditions.

**108.** We noticed from the information available in the information management system that there was no maximum limit to which the home leave could be deferred. Our analysis revealed that there were 37 cases where home leave due in 2001 had been delayed and had not been taken (March 2015).

**109.** WIPO stated that SRR in its current formulation is sufficient to ensure that a staff member who delays home leave and eventually does not take it before the next one is due, forfeits the former home leave travel.

#### **Recommendation 15**

**WIPO may expedite the process of up-dation of the IT system to be compliant with the Rules.**

**110.** WIPO accepted the recommendation. They added that the ERP system would be configured in such a way that all home leave not taken would be automatically forfeited, unless there is a clear and documented reason to extend the entitlement.

#### **Appointments**

**111.** As per Article 5 of Annexure-III of the SRR and Office Instruction No. 11/2013 on Selection Procedures for Temporary Appointments, temporary appointments expected to be for longer than six months shall be filled by way of a competitive selection process or through the publication of a vacancy announcement for a specific position or a combination of both. However, DG may authorize an exception to the competitive selection process for

temporary appointments of more than six months if he or she considers it to be in the best interests of the Organization.

**112.** During the review of six cases of direct appointments made under the above exceptional power of DG during 2012-14 the following issues emerged.

**113.** A staff member was appointed in P3 Grade initially for six months on the basis of direct selection. The appointment was subsequently extended for a final six months with exceptional approval of DG without competitive process on the justification of smooth continuation of operations and the requirement to provide sufficient notice to a staff that had served the organization for more than seven years. We observed that the job description was not clear for which the competitive process was initially put on hold and subsequently cancelled, as a result of which temporary appointments had to be extended.

**114.** In another case, three employees were directly appointed in January 2014 on newly allocated temporary positions. Subsequently, two fixed posts were allocated by converting the above temporary positions into posts and vacancy announcement was published. It was decided that extensions of contracts would be linked to the selection process and should they be not selected, their contracts would no longer be extended. In the competitive examination, one person was selected and appointed. Though the remaining two officials were unsuccessful their terms were being extended regularly. In the meanwhile the profile of the post has been revised and accordingly job description was modified.

**115.** WIPO replied that:

- i) The four temporary staff mentioned in the audit observation fall under the Transitional Measures set out in the SRR and were therefore not subject to the two-year time limit but subject to a five-year time limit counted as of 1 January 2013.
- ii) In all four instances, the functions that the temporary staff members were/are currently performing had been approved for regularization by the DG, following the approval by MSs to regularize 66 of the temporary functions across the Organization deemed to be of a continuing nature. The regularization of 66 temporary functions authorized by the MSs, has added significantly to HR Planning's recruitment load (33 per cent increase compared to 2013). While every effort has been made to prioritize

the selection process for this group to avoid unnecessary /exceptional contract extensions, given the heavy number of selections this has not always been possible. In approving exceptional contract extensions, the DG's intention is also to ensure the continuity of these functions pending their regularization.

iii) In regard to the second case mentioned in paragraph 115, between the first advertisement and the second, changes in language capabilities within the Division necessitated revising the job description. The issue was not therefore that the job description was not initially accurate. In the first case mentioned in paragraph 114, the original description had been impacted by the introduction of a new policy.

**116.** We are of the view that continuity of appointment of persons who were unsuccessful in the competition goes against WIPO's own condition that " ... extension of contracts would be linked to the selection process and should they not be selected their contracts would no longer be extended". The limit of five years would not be applicable in these cases, as extension has been given to staff members who were unsuccessful in the competitive selection process.

#### **Recommendation 16**

**We recommend that in cases where temporary appointments are being extended without competitive process to allow a fixed-term competition to be finalized, process for filling up of the posts through competitive selection process may be completed early and due attention be given to the alignment of the job description in order to avoid delays.**

**117.** WIPO replied that HRMD is currently conducting a review of all job descriptions across the Organization in order to ensure that the duties and responsibilities of all positions are up-to-date and an accurate reflection of the job requirements. WIPO noted that they would discontinue the practice of extending temporary appointments for long periods as soon as the transition phase is over and they would have temporary staff members under the two year limit as of 31 December 2017.

#### **Dependency Allowance**

**118.** As per the Regulation 3.2, staff members are entitled to receive salary at the dependency rate if they have a dependent spouse or at least one dependent child. A dependent



spouse means a spouse whose gross annual occupational earnings are less than or equal to the gross annual salary corresponding to the first step of grade G1 of the General Service Category which is applicable to the spouse's place of work and which is in force on January 1 of the year concerned. For staff members in the Professional and higher categories, the gross annual occupational earnings, at any place of work, exceed the equivalent of the gross annual salary corresponding to the first step of grade G2 of the General Service Category in force on January 1 of the year concerned in New York.

**119.** WIPO issues office instructions every year determining the limit of gross occupational earnings to be considered for spouse dependency and an amount not exceeding the equivalent of CHF 69,067 has been specified for the years 2012, 2013 and 2014.

**120.** We examined randomly selected ten cases and noticed that the determination in two cases, where the spouses were working outside Geneva, have been made based on salary scale applicable in Geneva irrespective of the spouse's place of work.

#### **Recommendation 17**

**The practice of determining the limit of gross occupational earnings to be considered for spouse dependency allowance needs to be reviewed to be made compliant with the Staff Regulations and Rules.**

**121.** WIPO accepted the recommendation. They stated that effective 1 January 2016, WIPO will discontinue its current long-standing practice. Determination of eligibility for spouse dependency benefits will be made on the basis of the spouse's place of work, and not on the basis of the duty station of the staff member, in accordance with the Staff Regulations.

#### **Rental Subsidy**

**122.** Office Instruction 6/2013 mentions that the rental subsidy will be payable from the first day of the lease agreement or the first day following the end of 30 day period of assignment grant payable, whichever is less. The rental subsidy is approved for a maximum period of 12 months at a time. Re-application shall have to be made once a year and the staff members are required to indicate the changes in the conditions of lease or certify that the information previously submitted is still applicable.

**123.** On a scrutiny of ten cases we found that the provisions of the office instruction have not been consistently followed as indicated below:

- i. In eight cases, the annual re-applications for 2012 and 2013 have not been submitted by the staff members in time and no certification was provided by the staff members.
- ii. In one case, though there was no lease agreement for the intervening period between the end of the earlier lease and the beginning of a new lease, payment of rental subsidy has been made for this period.
- iii. In two cases, related records in support of extension of original lease agreement/subsequent lease agreement were not available in the file.

**124.** WIPO stated that a comprehensive review of all cases of rental subsidy was carried out in June 2014 to remedy the fact that the annual rental subsidy review had not taken place in 2012 and 2013. As at March 2015, all annual rental subsidy re-applications were completed in line with SRR. As per the Swiss Code of obligations, a lease agreement is tacitly renewed every year, unless notice is given by either party three months ahead of the lease anniversary date.

**125.** We appreciate that a comprehensive review of all cases of rental subsidy was carried out in June 2014 and advise WIPO that the review may continue to be undertaken regularly.

### **Recommendation 18**

**The provisions of office instructions in the case of rental subsidy may be followed in a timely manner.**

**126.** WIPO agreed with the recommendation and stated that the ERP system would be configured in such a way that rental subsidy is automatically discontinued after one year and that further payment is subject to fully-documented re-application.

### **Language Allowance**

**127.** As per Rule 3.10.1, a pensionable language allowance is paid to a staff member in the General Service Category if the staff member passes an examination demonstrating proficiency in one or two specified languages. The mother tongue of the staff member and any other language required as per the staff member's terms of appointment are not considered for the payment of the language allowance. Further, staff members who receive a language allowance may be required to undergo further examination at intervals of not less

than five years in order to demonstrate their continued proficiency in the languages for which they receive the allowance.

**128.** We reviewed eight cases from the list of staff members in receipt of language allowance to see whether further examination to demonstrate continued proficiency has been passed by the staff members. Further, we sought details of cases where review has been undertaken to the continued grant of language allowance where the staff member was transferred or appointed to a new position that required excellent knowledge in the language.

**129.** WIPO stated that they did not insist at the moment on further examination to demonstrate continued proficiency as the Rule uses the expression ‘may be required’ meaning that it is not obligatory to pass further examination for continuance of payment of Language Allowance. They accepted that no review was undertaken when the staff member was transferred or appointed to a new position that required the staff to be fully proficient in the language as per his or her appointment, and the staff members continued to be in receipt of the allowance.

**130.** We are of the opinion that the use of the word ‘may’ be in Rule would not amount to conferring discretion.

### **Recommendation 19**

**We recommend:**

**(a) further examination to demonstrate continued proficiency of staff members in receipt of Language Allowance may be undertaken; and**

**(b) review of continued grant of Language Allowance needs to be undertaken when the staff member is transferred or appointed to a new position that requires the staff to be fully proficient in the language as per his or her appointment.**

**131.** WIPO stated that they encourage internal lateral mobility of staff and discontinuing the language allowance in such cases would discourage staff from seeking lateral transfer opportunities and that requesting re-examination of language proficiency is administratively cumbersome and costly. WIPO confirmed that they will amend their rules and practice with regard to language allowance in line with the outcome of the UN system compensation package review, which may require amendments to Staff Rules.

## Overtime

**132.** Staff members in the General Service Category, who work in excess of any normal working week, are entitled to compensatory leave or to additional remuneration. Rule 3.12.3 reads that leave shall be granted as promptly as the exigencies of service permit and in any event not later than six months after the overtime is worked. If the staff member's supervisor certifies that the exigencies of the service do not permit the grant of compensatory leave within the prescribed period of six months, the overtime shall be compensated in cash. Office Instruction 75/2012 requires that supervisors must ensure that requests for overtime in any given week reach the HRMD at the latest by 18.00 hours on Friday of the current week.

**133.** In 2012, 2013 and 2014, about 74 *per cent*, 55 *per cent*, and 33 *per cent* of the staff in the General Service Category were on overtime respectively. On a review of 10 cases over the period, we observed non-compliance of the office instruction as brought out below:

- i. In five instances the overtime request form was accepted after the period prescribed in the office instruction. In two cases, the request has been accepted prior to the commencement of the week for which request for overtime has been made.
- ii. In eight cases, the overtime has been compensated by pay rather than by grant of compensatory leave. There was no date on the form to indicate as to when the certificate related to exigencies of service not permitting grant of leave had been given by the Supervisor.

**134.** WIPO stated that efforts have led to a significant reduction in costs of overtime in 2014. They explained that the reason for not opting for compensatory time off was high volumes of work in some divisions/departments.

### **Recommendation 20**

**We recommend that internal controls may be strengthened to ensure that requirements of the office instruction related to overtime are fully complied with.**

**135.** WIPO accepted the recommendation and stated that the overtime is subject to specific criteria and managerial oversight as well as prior approval.

### **Special post allowance**

**136.** As per Regulation 3.11, a non-pensionable special post allowance (SPA) shall be paid to any staff member on a fixed-term, permanent or continuing contract who is temporarily required to assume the responsibilities and duties of a vacant post at a grade higher than that of the post he or she occupies. This allowance shall be payable as from the date the staff member has performed for a continuing period of six months the full duties of the higher-grade post, which is entrusted to him or her. Any extension of the allowance beyond 12 months may only be authorized under exceptional circumstances. In no event shall such further extension exceed 12 months.

**137.** As per Regulation 3.22, except where otherwise provided for, any entitlement to an allowance, grant, or other payment arising from the SRR shall lapse two years after the date on which the staff member would have been entitled to the payment.

**138.** On review of the five cases of SPA drawn during 2012-2014, the following issues emerged:

- i. A staff member was continued to perform the functions of the higher post since January 2013, and was drawing SPA since July 2013. HRMD stated that exact scope of the service needed further definition and they were not ready to launch the recruitment for a fixed-term post.
- ii. In another case, the entitlement of the SPA to a staff member for the period May 2012 to November 2012 was beyond the limitation period specified in Regulation 3.22.

**139.** WIPO stated that when the recruitment is requested by the management, HRMD prioritizes the selection process, but it is not the delay in recruitment itself that generates the problem, it is the delay in triggering recruitment. It would not make sense to commit the organization by advertising a post if it is not certain that a post is really required or that it is required with a specific skill profile. In the context of the review of the workforce, WIPO consider flexible resourcing and proceed with recruitment for a post only if the long-term need is fully established.

## **Recommendation 21**

**WIPO should scrupulously follow provisions of Regulations 3.11 and 3.22, while authorizing the extension of special post allowance beyond 12 months under exceptional circumstances.**

140. WIPO accepted the recommendation. They shared the audit concern regarding allocation of an SPA for a long period of time, and this was in fact the reason for a review of the SRR to introduce a time limit.

## **Cases of Frauds and Presumptive Frauds**

141. Analysis of the information on fraud/presumptive fraud provided by the office of the Director, Internal Audit and Oversight Division (IAOD) indicated that three new cases of fraud / presumptive fraud were registered in 2014 and two were closed because the allegations were not substantiated. As at 31 December 2014, the number of open cases of fraud or alleged fraud was four.

## **Review of Management Action on Past Recommendations**

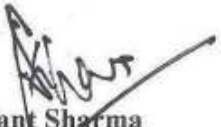
142. The status of implementation of the External Audit Recommendations (Financial Audit) by WIPO is enclosed as an *Annexure II* to this Report.

## **Disclosures by Management - Write-off of Losses of Cash, Receivables and Property**

143. The Management informed that in accordance with Financial Regulation 6.4, Financial Rule 106.8, the following losses have been recorded by the Organization during the year ended 31<sup>st</sup> December 2014:

- Accounts receivable totaling 3,258.50 Swiss francs were written off during 2014. This concerned 20 unpaid invoices dating from 2013, relating to Trademarks, Industrial Designs and Publications activities;

- Other small losses incurred throughout the year, principally on payments against accounts receivable, totalled 20,759.41 Swiss francs;
- Amounts charged to the Organization concerning the operation of Special Accounts for voluntary contributions totalled 20,935.90 Swiss francs during 2014.



**Shashi Kant Sharma**  
**Comptroller and Auditor General of India**  
**External Auditor**  
**7 July 2015**

Annexure I - Revised Timeline

	2010	2011				2012				2013				2014				2015				2016	
Stream/Project	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Portfolio Management																							
Personnel and Payroll																							
Recruitment and Self-Service																							
Staff Welfare and Legal Administration																							
Performance and Learning Management																							
AIMS Enhancements																							
Business Intelligence																							
Enterprise Performance Management																							
Customer Relationship Management																							



**Annexure II**

**Status of implementation of the External Audit Recommendations by WIPO**

<b>Audit</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Remarks</b>
Financial Audit	The Management may consider formulating and implementing an appropriate Treasury and Cash Management policy including borrowings to improve the financial management.	A Treasury and Cash Management Policy was prepared by external treasury specialists in early 2014 and submitted to WIPO. A few weeks later the Swiss authorities informed the Organisation that it would no longer be able to place monies for deposit with the authorities and that all such monies would have to be withdrawn by December 2015. This development requires significant changes to the investment policy and possibly also to the counterparty risk policy, both of which are contained within the Treasury and Cash Management Policy. As a result, document WO/PBC/22/19 was submitted to the PBC in September 2014 requesting guidance concerning the amendment of the investment policy. The PBC's decision was to request 'the Secretariat to submit a detailed proposal on the revised version of the policy at its next session following review and clearance by the Investment Advisory Committee and to undertake an Assets and Liability Management study and submit a separate investment policy for ASHI financing, following its review and clearance by the Investment Advisory Committee'. Work is currently ongoing with regard to revising the investment	<b>Ongoing</b>

		policy and to preparing a separate ASHI investment policy. The Investment Advisory Committee is to organize a meeting(s) with an external expert(s).	
Financial Audit	WIPO may consider conducting annual stock verification of high value assets.	An annual verification of high value assets was completed internally in May 2014, which constituted the implementation of such recommendation.	<b>The recommendation may be considered as 'implemented'.</b>
Financial Audit	The financial services should review and update the existing risk management framework in place to develop suitable risk registers and internal controls in those operational units where they do not exist or exist partially.	The overall structure/tracking was in place, noting a completion rate of: <ul style="list-style-type: none"> <li>Income at 80 <i>per cent</i> complete.</li> <li>Expenditures- Non-payroll is complete, Payroll is 50 <i>per cent</i> complete (given new processes with HR module)</li> <li>Treasury is complete</li> <li>Other Financial processes (closure etc.) 60 <i>per cent</i> complete</li> <li>Overall was 81 <i>per cent</i> complete.</li> </ul>	The overall structure/tracking was 81 <i>per cent</i> completed. <b>Ongoing.</b>
Financial Audit	The Management should review the integration of various modules of the AIMS system and carry out necessary reclassification of assets in line with the	There was no impact on the financial statements from any of the 'issues' highlighted during the audit. Technical bugs remained within the AM module but these were minor. Workarounds have been created and the bugs have been notified to the AIMS support team. WIPI was able to reconcile AM to General Ledger.	<b>The recommendation may be considered as 'implemented'.</b>

	declared accounting policies.		
Financial Audit	WIPO may ensure the creation of a separate reserve for the purpose of financing projects and reflect the same separately in the financial statements to provide a better understanding of the transactions related to the utilization of accumulated surplus/reserves.	<p>Matter regarding creation of special reserve was presented at the September Program and Budget Committee. PBC at its 22<sup>nd</sup> Session:</p> <p>(i) recognized the need to undertake a review of the policies on Reserves and Working Capital Funds; and</p> <p>(ii) requested the Secretariat to submit to the PBC a comprehensive policy proposal that includes target setting for the Net Assets, liquidity considerations and the management, use and reporting of the available surpluses above the target level, taking into consideration the MSs' comments and guidance and the recommendations of Audit and Oversight bodies in this respect.</p> <p>Therefore, following this decision, a document is to be submitted to the MSs in 2015 which will address various aspects of the use of reserves.</p>	<b>Ongoing</b>
Financial Audit	WIPO may review the status of unpaid applications of the receiving offices and adjust the fees for already filed applications lying in PCT Current Accounts from	WIPO analyzed the PCT current accounts and developed a procedure to make the appropriate accounting entries to reduce the balance of PCT debtors. This procedure was followed for the preparation of the 2014 interim financial statements, and shall also be followed for the 2014 year-end financial statements.	<p>We have verified the procedure and found it adequate.</p> <p><b>The recommendation may be considered as 'implemented'.</b></p>

	PCT Debtors to reflect the actual amounts outstanding against PCT applications.		
Financial Audit	WIPO may consider maintenance of the accounting data relating to fee received and receivable in respect of PCT applications in the related currencies for every application / receiving office.	WIPO developed a methodology for calculating unrealized gains/losses on PCT debtors in currencies other than the Swiss franc. A calculation has been prepared for inclusion in the 2014 year-end financial statements.	The unrealized gains/losses have been worked out and accounted in 2014 financial statements.  <b>The recommendation may be considered as 'implemented'.</b>
Financial Audit	WIPO may consider reviewing and updating the demographic assumptions relating to retirements/staff turnover adopted in the actuarial valuation of post employment benefits.	The demographic assumptions relating to retirements and staff turnover have been updated and incorporated into the 2014 actuarial valuations for the ASHI and Repatriation.	The demographic assumptions have been updated.  <b>The recommendation may be considered as 'implemented'.</b>

## MANAGEMENT'S RESPONSES TO THE RECOMMENDATIONS MADE BY THE EXTERNAL AUDITOR

### **Recommendation no.1**

*WIPO may expedite the process of reconciliation of outstanding claims with US Tax authorities.*

#### **Response**

The recommendation is noted, however it is reiterated by Management that the process of reconciliation can only be completed if the US Tax authorities are able to provide sufficient detail behind the reimbursements which have been made to the Organization.

### **Recommendation no.2**

*WIPO may disclose details of heritage assets including works of art in the Notes to the Financial Statements and may take steps for strengthening the security systems to prevent further loss of such assets.*

#### **Response**

In the particular case of heritage assets or works of art, IPSAS specifically states that recognition of these is not required. IPSAS does not require disclosure of heritage assets which have not been recognized in the financial statements. Further, the current UN Task Force guidance on heritage assets is to not recognize them in the financial statements. WIPO Management notes the recommendation, and proposes to discuss the issue of heritage assets at the next UN Task Force meeting in October 2015. Following this, consideration will be given to the possibility of more detailed disclosure for the 2015 financial statements.

Upon publication of a new Office Instruction on Assets Management, responsibility for the collection of works of art will fall under the Premises Infrastructure Division, and various measures, including strengthening the security systems, will be implemented.

### **Recommendation no.3**

*WIPO may consider preparing the Program Performance Report before the conclusion of financial audit or provide explanation for the variance between budget and actuals in the financial statements in compliance of IPSAS 24.*

#### **Response**

Draft resource explanations prepared for the PPR will be shared during the audit.

### **Recommendation no.4**

*The International Bureau may consider intensifying its efforts to receive fees from Intellectual Property Offices timely.*

#### **Response**

The International Bureau has been in regular contact with SIPO about the timeliness of the transmittal of international filing and handling fees for quite a while. SIPO has been making

constant and noticeable progress on the issue, and, in particular, since the beginning of 2015, the average time of transmittal was reduced to three months, which constitutes a remarkable improvement compared to the same period in 2014. The International Bureau is committed to continue working with SIPO on this issue and further improvements can be expected in the near future.

#### **Recommendation no.5**

*WIPO may continue exploring ways to limit the delay at a project level as well as the portfolio level in implementation of the Enterprise Resource Planning system so that the project could be completed as per revised timeline, which will be presented to the Member States in September 2015.*

#### **Response**

WIPO will continue to make every effort to limit the delay at a project level as well as at the portfolio level in the implementation of the Enterprise Resource Planning system and will strive to implement the remaining projects according to the updated timeline. However, WIPO will continue to prioritize cost and quality over timelines, given the significant change management required to implement ERP systems successfully.

#### **Recommendation no.6**

*WIPO may strengthen document management system so that project related documents are maintained at one place.*

#### **Response**

WIPO will continue to use the current documentation system and tools that are in place, and which have so far served the purpose. Once the Enterprise Content Management (ECM) system has been established, by an Information and Communication Technology Department (ICTD) capital master plan initiative, then the ERP Portfolio will be considered to be one of the early adopters.

#### **Recommendation no.7**

*WIPO may take steps to further strengthen its cost calculation methodology, so that there is no wide variation between the budgeted and actual cost of individual elements at the portfolio level.*

#### **Response**

WIPO will continue to ensure that there are no significant variations between the budgeted and actual cost of individual elements. It must however be recognized that there will be variations between such costs on multi-year projects such as the ERP due to changes to planning assumptions and implementation strategies. In the 2015 ERP report to the Member States, WIPO will present an updated budget in respect of the completion of the remaining projects so as to show the impact on the various cost elements and streams based on the progress to date and revised timeline.

**Recommendation no.8**

*WIPO may continue to engage with various stakeholders and prepare a time bound action plan for generating customized/exception reports.*

**Response**

WIPO will continue to work closely with all stakeholders. To this end, monthly meetings will be held to identify, capture and prioritize reporting requirements.

**Recommendation no.9**

*WIPO may strengthen its contract management and monitoring mechanism for smooth and timely delivery of deliverables/services under defined milestones and augment documentation relating to contract modification.*

**Response**

WIPO will ensure that any future modifications to contracted deliverables/services under defined milestones would be documented and reflected in a revised contract with the supplier.

**Recommendation no.10**

*WIPO may consider documenting the justification for non-development of stage plans in future.*

**Response**

WIPO will document any PRINCE2 tailoring, such as no stage plans, that is being performed as part of future ERP project initiation documents.

**Recommendation no.11**

*WIPO may, in future, consider explicitly defining the tolerance limits for projects and various stage plans.*

**Response**

WIPO will document all tolerances, even those that are implied, as part of future ERP project initiation documents.

**Recommendation no.12**

*WIPO may consider carrying out a sensitivity analysis of issues raised during the EPMO/Project Board meeting based on their criticality.*

**Response**

WIPO has already introduced a colour coded sensitivity analysis as part of the monthly portfolio status report to help the portfolio board and others reading the document to clearly

prioritize and focus on the issues that need attention. WIPO will encourage individual projects to perform the same sensitivity analysis and reporting of project-specific issues.

**Recommendation no.13**

*WIPO may consider reporting the performance evaluation of External Implementing Partner to the Assemblies of the Member States as a part of progress report on implementation of the comprehensive Enterprise Resource Planning system.*

**Response**

WIPO has included a section on External Implementation Partner performance in the 2015 ERP progress report to the Member States.

**Recommendation no.14**

*WIPO may stop subsidizing the premium of insurance for non-service incurred accidents.*

**Response**

Subsidy will be discontinued effective 1 January 2016.

**Recommendation no.15**

*WIPO may expedite the process of up-dation of the IT system to be compliant with the Rules.*

**Response**

Implementation of the ERP system is in process.

**Recommendation no.16**

*We recommend that in cases where temporary appointments are being extended without competitive process to allow a fixed-term competition to be finalized, process for filling up of the posts through competitive selection process may be completed early and due attention be given to the alignment of the job description in order to avoid delays.*

**Response**

This recommendation will be implemented with immediate effect.

**Recommendation no.17**

*The practice of determining the limit of gross occupational earnings to be considered for spouse dependency allowance needs to be reviewed to be made compliant with the Staff Regulations and Rules.*

**Response**

This recommendation will be implemented effective 1 January 2016. A communication to staff has been issued.



**Recommendation no.18**

*The provisions of office instructions in the case of rental subsidy may be followed in a timely manner.*

**Response**

This recommendation has been implemented.

**Recommendation no.19**

*We recommend:*

*(a) further examination to demonstrate continued proficiency of staff members in receipt of Language Allowance may be undertaken; and*

*(b) review of continued grant of Language Allowance needs to be undertaken when the staff member is transferred or appointed to a new position that requires the staff to be fully proficient in the language as per his or her appointment.*

**Response**

Language allowance will be reviewed comprehensively, also in the context of the reform of the UN compensation system.

**Recommendation no.20**

*We recommend that internal controls may be strengthened to ensure that requirements of the office instruction related to overtime are fully complied with.*

**Response**

This recommendation has been implemented.

**Recommendation no.21**

*WIPO should scrupulously follow provisions of Regulations 3.11 and 3.22, while authorizing the extension of special post allowance beyond 12 months under exceptional circumstances.*

**Response**

This recommendation is in the process of being implemented.

## **Statement on Internal Control for 2014**

### **Scope of Responsibility**

As Director General of the World Intellectual Property Organization (WIPO), I am accountable, in accordance with the responsibility assigned to me, in particular, Regulation 5.8 (d) of the Financial Regulations and Rules, for maintaining a system of internal financial control which ensures:

- (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;
- (ii) the conformity of obligations and expenditures with appropriations or other financial provisions approved by the General Assembly or with the purposes and rules relating to specific trust funds;
- (iii) the effective, efficient and economic use of the resources of the Organization.

### **Purpose of the system of internal control**

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organization's aims and objectives and related policies. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

Internal control is a process, effected by the Governing Bodies, the Director General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations and safeguarding of assets,
- Reliability of financial reporting and
- Compliance with applicable rules and regulations.

Thus, on an operational level, WIPO's internal control system is not solely a policy or procedure that is performed at certain points in time, but rather continually operated at all levels within the Organization through internal controls processes to ensure the above objectives.

My current statement on WIPO's internal control processes, as described above, applies for the year ended December 31, 2014, and up to the date of the approval of the Organization's 2014 financial statements.

### **Risk Management and control framework**

A number of documents, which establish a formalized and coherent risk management and internal controls framework, have been issued, and/or submitted to the Member States of WIPO in the course of 2014. These include WIPO's Accountability Framework, WIPO's Risk Appetite Statement, Office Instructions establishing the Risk Management Group (RMG), as well as the Office Instruction on WIPO's Risk Management Policy, and the Risk and Internal Controls Management Manual.

The RMG reviewed the First Semi-Annual Risk Management Report of WIPO at its third session in August 2014. In the course of its other sessions in 2014 (a total of six sessions held), the RMG regularly reviewed and monitored WIPO's financial situation and the key risks to the achievement of the Organization's expected results. The RMG also reviewed and cleared all the documents listed above.

WIPO's Business Continuity Coordinator was appointed in early 2014, emphasizing the importance of organizational resilience for WIPO's business. Much progress was made in this area, culminating in the issuance of an organizational resilience policy, as well as strategy in early 2015.

A new risk management application went live in October 2014, integrating all information security risks, and all program and organizational risks, to which all sectors were provided access through the Sector Risk Coordinators. The system was used to support the second risk review process in 2014, which was an integral part of the 2015 Workplanning exercise.

The WIPO Policy of Investments was approved by the Assemblies in 2011. In accordance with this policy, an Advisory Committee on Investments (ACI) has been established to monitor the investments of WIPO to ensure that they are consistent with the policy and reports to me any variations from the policy, the reasons and remedial actions. WIPO's cash position remained sound throughout 2014.

The Contracts Review Committee and the High Level Official on Procurement continue to review relevant procurement cases and to advise me on appropriate procurement action.

### **Review of effectiveness**

My review of effectiveness of the system of internal controls is mainly informed by:

- My senior managers, in particular Deputy Directors-General and Assistant Directors-General who play important roles and are accountable for expected results, performance, their Division's activities and the resources entrusted to them. The information channels mainly rely on periodic meetings held by the Senior Management Team.
- I derive assurance from Management Representation Letters signed by key WIPO officers. These letters recognize their responsibility for having and maintaining, in the programs, well-functioning systems and a mechanism for internal control aimed at presenting and/or detecting instances of fraud and major errors.
- The Chief Ethics Officer who provides confidential advice and counsel to the Organization and its staff on ethics and standards of conduct and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior including conflict of interest,
- The Internal Oversight Division (IOD), on whose reports of internal audits, evaluations and advisory services I rely, also provide their reports to the Independent Advisory Oversight Committee (IAOC). These include independent and objective information on the adequacy and effectiveness of the Organization's system of internal controls, and the related functions of oversight.
- In accordance with its terms of reference, the IAOC provides assurance to Member States on the appropriateness and effectiveness of internal controls at WIPO. The Committee oversees audit performance by monitoring of timely, effective

and appropriate responses from management with regard to audit recommendations and implementation of the same. Finally, the IAOC keeps Member States informed of its work on a regular basis and reports annually to the Program and Budget Committee (PBC) and to the General Assembly,

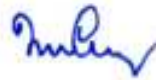
- The Joint Inspection Unit (JIU) of the United Nations System,
- The External Auditor, whose comments are submitted to the PBC and the Assemblies, and
- The Governing Bodies' observations.

### **Conclusion**

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

As Director General, I ensure that the “tone at the top” is a clear message that rigorous internal control is critical to the Organization and I am committed to addressing any weaknesses in internal controls noted during the year and to ensure that continuous improvement of the system of internal controls is in place.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the Organization's financial statements nor are there significant matters arising which would need to be raised in the present document for the year ended December 31, 2014.



Francis Gurry  
Director General

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