

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Thirteenth Meeting Geneva, June 8 to 11, 2009

REPORT

adopted by the WIPO Audit Committee

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INTRODUCTION

1. The thirteenth meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from June 8 to 12, 2009. Present were Messrs. Pieter Zevenbergen (Chair), George Haddad (Vice Chair), Geoffrey Drage, Gong Yalin, Akuetey Johnson, Akeem Oladele, Khalil Issa Othman, Igor Shcherbak and Gian Piero Roz.
2. The Committee adopted the draft Agenda (Annex I).

AGENDA ITEM 1

REVIEW OF THE STRATEGIC REALIGNMENT PROGRAM

3. The document presented to the Committee under this Item appears in Annex II of this report.
4. The Committee was pleased to meet again with the Director General, Mr. Francis Gurry, and with two members of his Cabinet: Mr. Naresh Prasad, Director, and Ms. Chitra Narayanaswamy, Senior Advisor.
5. The Committee was briefed by the Director General on the progress of the Strategic Realignment Program (SRP). The Director General outlined the key challenges in the external and internal environment that the Organization would need to address in discharging its mandate. The Committee took note of the fact that the SRP will incorporate the key recommendations of the Desk-to-Desk Assessment which the Secretariat had been mandated to implement. It also took note of the fact that the SRP replaces the Organizational Improvement Program.
6. While the Committee welcomed the information on the progress made so far, it did not constitute a road map for implementation, showing on a common timeline the interrelationships of the component modules, the organization and resourcing requirements. Consequently, the Committee did not consider the information provided sufficient enough to monitor and assess the action taken by the Secretariat.
7. The Committee recognized the difficulties associated with programs for organizational improvement. Such programs are complex and likely to extend over a period of time. They should be developed in a comprehensive and integrated manner on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent), as previously recommended by the Committee at its sixth meeting (document WO/AC/6/2, paragraph 24 (a) and (b)) and endorsed by the WIPO General Assembly (document WO/GA/34/16, paragraph 34).

Recommendation

8. The SRP should be implemented:
- (i) according to a road map showing, on a common timeline the interrelationships of the component modules, the organization and resourcing requirements; and,
 - (ii) in a comprehensive and integrated manner on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent).

AGENDA ITEM 2

NEW CONSTRUCTION PROJECT

9. The documents presented to the Committee under this Item appear in Annex II of this report.
10. Information and explanations were provided orally to the Committee by Ms. Boutillon, Secretary, Construction Committee; Mr. Favatier, Chief Financial Officer (Controller), Department of Finance, Budget and Program Management; Mr. Alfio Favero, Consultant, New Construction Projects Section, Buildings Division General Affairs and Administration Sector; and, Mr. Jean-Daniel Fehr, Project Director General, Burckhardt+Partner SA (“the Pilot”).
11. The Committee noted:
- (a) The new office building works were still on track for completion in October 2010.
 - (b) The interior fitting out phase was expected to commence on schedule this Autumn and was expected to involve a substantial increase in number of trades and workers on site at any one time, leading to an increase in risks. This phase would consequently require more intensive supervision and coordination by the Pilot and the Construction Committee.
 - (c) The implementation of the new data center and of the UN Headquarters Minimum Operational Security Standards (HMOSS) security requirements were not expected to alter the overall timetable.
 - (d) In the event that Member States sanctioned the proposed New Conference Hall, preparations had been made so that its construction would not impede progress of the New Office Building.
 - (e) The architect was expected to complete the dossier on the proposed New Conference Hall by the end of June, whereafter the Secretariat would complete its business case. The Committee was informed that the costs of the feasibility studies were reduced by CHF200,000.

(f) The Pilot would provide a summary overview on overall progress in its next report to the Committee on the major construction projects, in time for the Committee's next meeting in August, as well as the latest relevant updates of the Pilot Risk Register.

(g) Starting with the next meeting of the Committee, the Secretariat would provide the Committee with the latest relevant updates of the WIPO risk register.

(h) Funds had been allocated in the Project budget for provision of furniture for the new cafeteria while office furniture in the New Office Building would be covered (as in previous similar moves) under the regular budget, and only to the extent that new furniture would be necessary for a number of offices only.

(i) There were no written specific criteria for occupancy of office space according to staff gradings. The Committee suggested that it might be helpful to have written guidelines both for office space occupancy and for furniture standards to ensure a consistent approach in the future.

(j) The advice of IT Security would be sought by the Secretariat with a view to avoiding potential breaches of security concerning confidential information and data relating to the major construction projects.

(k) With regard to financing, the contract between WIPO and the lending banks provided for loan amortization at a rate of three per cent per annum, i.e. over 33.3 years, whereas the contract term of the loan was for the construction period of approximately 3 years plus 15 years, aggregating 18 years in total. WIPO, however, was expecting to re-finance the loan by the end of this latter period in order to avoid continuing interest payments thereafter. If this option were to prove not to be feasible, WIPO would extend the contract with the bank up to the end of the amortization period. On the basis that WIPO's cashflow remained strong, it may not be necessary for WIPO to draw down the whole of the CHF114 million loan and the CHF16 million loan extension.

(l) The recommendations contained in the final audit report on the Review of WIPO Risk Registers for the New Construction Project (document IA/02/2009).

AGENDA ITEM 3

INTERNAL CONTROL

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

13. Information and explanations were provided to the Committee by: Mr. Philippe Favatier, Chief Financial Officer (Controller), Department of Finance, Budget and Program Management, General Affairs and Administration Sector; Mr. Nick Treen, Director, Internal Audit and Oversight Division (IAOD); Mr. Jaime Sevilla, Director, Procurement and Contracts Division, General Affairs and Administration Sector; and, Mr. Richard Lane, Head, Information Security Section, IT Division, Office of Strategic Planning and Policy Development, and the WIPO Worldwide Academy.

14. The Committee reviewed pending issues and recommendations from its twelfth meeting (document WO/AC/12/2) and sought clarification on follow-up action.

15. The Committee again noted that coordination between the Internal Audit and Oversight Division (IAOD) and the Audit Committee on one hand, and the External Auditor on the other hand, needed to be improved. The Committee considered that such improved cooperation would be essential, especially in the light of the forthcoming Strategic Realignment Program (SRP).

A. IPSAS

16. The Committee sought clarifications on various parts of the report and noted that:

- (a) the report *de facto* also includes the implementation plan of the ERP project;
- (b) the report continued to be of high quality and was comprehensive. The various activities appeared well co-ordinated;
- (c) no update of the Project Plan had been submitted (the one available to the Committee was dated 30 March 2009);
- (d) a Risk Management Log had been included;
- (e) in view of the complexities and number of the tasks to be completed by a variety of staff in several areas, the team and the Committee would benefit from a GANTT chart, that would include actual expenditure versus budget, to facilitate both the management of the project and its follow up;
- (f) it was not clear as to what extent access security was dealt with;
- (g) the budgetary provisions in the project for training and scope contingency may be too low.

Recommendation

17. The project team should:

- (a) include in the project plan access security and policies for the management of access to the system once this is implemented; and,
- (b) prepare a GANTT chart showing the phasing and interdependencies of the elements of the IPSAS implementation, together with a record of expenditure against budget.

B. Follow-up on the List of Oversight Recommendations

18. The Committee noted the following:

- (a) Apart from (i) some relatively minor amendments to the schedules of outstanding oversight recommendations and (ii) the dispatch to the Director General of a memorandum dated May 27, 2009, proposing phraseology for an implementation policy to be included in

the existing draft Office Instruction 24/2008, there was no evidence of any material progress being made by IAOD against the observations and recommendations of the Committee as per document WO/AC/12/2, paragraph 22, concerning the status of oversight recommendations.

(b) In connection with the proposed oversight implementation policy referred to above (sub-paragraph 19(a)), there was no evident linkage, in the event that the policy was ignored, to sanctions referred to within the Staff Regulations and Rules, which are the only legal basis for possible disciplinary actions.

C. Internal Audit and Oversight Division

19. The Committee noted the following:

(a) With reference to the IAOD quarterly progress report dated April 2, 2009, there appeared to be no material progress in the prioritization of and reporting on IAOD's activities as compared with the observations and recommendations made by the Committee at its twelfth meeting in March 2009 (document WO/AC/12/2, paragraphs 14 and 19).

(b) It was not clear to the Committee that there was a proper framework for conducting investigations in WIPO particularly in the absence of:

(i) a properly adopted policy; and,

(ii) an investigation procedure manual (see the Committee's previous recommendation made at its fourth meeting (March 26 to 29, 2007, document WO/AC/4/2, paragraph 13(c)). This state of affairs puts the Organization and individuals at risk.

(c) The Committee was informed that the Head of the Evaluation Unit had resigned six months after assuming his functions. In this connection, the Committee recalled that the Senior Evaluation Officer had been redeployed to the Program Management and Performance Section for a seven month period. The Committee expressed concern over the fact that, in the current circumstances, IAOD had no capability to discharge its evaluation functions.

(d) In terms of forward planning, with current staffing levels, IAOD expected to reduce the scope of its activities when it undertook a review of its plan in September 2009.

20. The Committee was informed that IAOD had completed a report on Ethics and Integrity, and requested to receive copies.

Audit report on the Review of Significant Procurement cases in WIPO

21. The Committee concluded that there continued to be a lack of compliance by managers with the provisions of Office Instruction 21/2006 Rev. It noted that the implementation of ERP as a tool to support the new FRR should partially address the procedural aspects related to procurement. The Committee thought, however, that managers should be held accountable for non compliance with the provisions of the Office Instruction.

22. In parallel, efforts should be made to ensure that the procurement related procedures be applied by all parties concerned avoided bureaucratic red tape ("comply or explain"). This would contribute to better compliance on the part of managers.

23. The Committee also noted that between 1.5% and 2% of the annual budget of the Organization is spent through the International Computing Center (ICC), a cooperative organization among UN entities, without proper regular oversight either on the part of IAOD or of the Procurement and Contracts Division (PCD). The Committee welcomed the co-operation with other UN organizations and understood the explanations provided by PCD about the fact that the Memorandum of Understanding with ICC is not a proper procurement under its responsibility. There appears however to be lack of proper oversight for expenditures amounting to 5.5 to 6 million Swiss francs per year.

Recommendations

24. Arrangements should be made within WIPO to ensure that the MOU and SDAs with ICC are consistent with the internal control requirements of the Organization and that services are provided to the satisfaction of the Organization at the standards it expects from any supplier of goods and services

25. The Human Resources Management Division and the Office of the Legal Counsel should define the procedures that would apply in case of non-compliance with the provisions of Office Instruction 21/2006 Rev., including financial sanctions if required. These procedures should be included in a revision of the said Office Instruction.

Final report on the Audit of IT Access Controls

26. The Committee welcomed the report which highlighted serious shortcomings in the IT access controls. It noted that the implementation of the recommendations was slow due to limited staffing resources and of their assignment to parallel urgent tasks, slow recruitment and lengthy procurement procedures.

27. In view of the increasing reliance of the organization on IT systems and the importance of security of information available in WIPO, and the difficulties encountered due to lack of staff to implement proper security systems, the Committee expressed concern as to the adequacy of the staff resources assigned to IT security.

28. The Committee also noted that satisfactory assurances should be obtained from ICC about the security of WIPO data stored in their machines and the security measures implemented by ICC. Such assurances should be sought on a regular basis.

29. The Committee will continue its review of the subject of IT security access at its next meeting, with the newly appointed CIO.

AGENDA ITEM 4

ASSESSMENT OF THE WORK AND OPERATIONS OF THE WIPO AUDIT COMMITTEE

30. The Committee considered a preliminary report of the Assessment exercise, prepared by the sub-committee of the Audit Committee created for this purpose, and a number of suggestions were made. The final report on the Assessment should be available by mid-July 2009.

AGENDA ITEM 5

OTHER MATTERS

A. Financial Statements of WIPO

31. The documents presented to the Committee under this Item appear in Annex II of this report. Information and explanations were provided orally to the Committee by Ms. Janice Cook Robbins, Head, Finance Services, Department of Finance, Budget and Program Management, General Affairs and Administration Sector.

32. The Committee took this opportunity to be appraised on some of the changes that will derive in the financial statements from the implementation of IPSAS. This would address shortcomings in the procedures which derive from the current United Nations System Accounting Standards (UNSAS).

B. Financial Disclosure/Declaration of Interest

33. The documents presented to the Committee under this Item appear in Annex II of this report. These documents had been sent to the Committee by the Director General, in line with the Committee's mandate to review, among others, "arrangements in areas such as financial disclosure", and with a request that the Committee table this document for review at its thirteenth meeting to enable the Secretariat to transmit any comments the Audit Committee wished to make to the WIPO Coordination Committee, in time for Coordination Committee's meeting on June 15 and 16, 2009.

34. Information and explanations were provided orally to the Committee by Ms. Jessamyn Honculada, Senior Legal Officer, Office of the Legal Counsel.

35. In view the impending Sixty-First (22nd Extraordinary) Session of the WIPO Coordination Committee (June 15 and 16, 2009), the Committee wrote a letter to the Director General, dated and transmitted on Friday, June 12, for transmittal to the Coordination, which contained the Committee's observations on document WO/CC/61/4, as follows:

- "1. It was not clear how any disputes arising with WIPO staff would be handled as a consequence of implementing the disclosure requirements. In particular, it was noted that there was no Office Instruction establishing the Ethics Office and its mandate and that wide ranging authority was vested in the Director General.

Furthermore, under current arrangements, although advised to the Committee as being temporary, the Ethics Office was part of the Office of the Legal Counsel. This arrangement could lead to conflict of interest to the extent that there was a dispute with a staff member about disclosure of interests whereunder the Office of the Legal Counsel became involved in disciplinary proceedings against that staff member.

2. It was not clear how new staff being employed by WIPO would be advised of disclosure requirements.
3. It was not clear how existing WIPO staff employment contracts or temporary staff contracts would be affected by the introduction of the disclosure requirements: *prima facie* these new requirements would be a change of contract terms and conditions.
4. Experience within the UN system indicated that problems of conflict of interest leading to disciplinary action had typically occurred in connection with procurement cases involving staff at grades below D1. On this basis, the Committee was of the view that all staff within the Procurement and Contracts Division and the WIPO Contracts Review Committee, and also staff members of substantive divisions dealing with procurement, should be required to comply with the financial disclosure requirements.
5. Initially, the proposals involve a paper-based disclosure system. The Committee accepted that this may be adequate for a limited number of staff needing to comply with the requirements but would be difficult to manage with either a significant number of staff needing to comply or where regular reviews or updating of disclosures are required. The Committee accordingly recommends the use of an IT-based system *ab initio*. However, the issue of data security is paramount and the Committee noted that there was insufficient reference to data security in the proposals.
6. With regard to the details of disclosure, there was no definition of “control” in the context of share interests in companies. In addition, there appeared to be inconsistency between the requirements set out in Annex IV Attachment I page 5, Section C2 and those under page 4, paragraph D.
7. It was not clear from the current proposals how variations in financial disclosures would be monitored.”

36. In its letter to the Director General, the Committee expressed its view that it was important that these issues be addressed in order to obtain acceptance of the disclosure requirements by staff, and requested that its letter be relayed to the Chair of the WIPO Coordination Committee, and also be included as an item on the Agenda of the Sixty-First (22nd Extra-ordinary) Session of the WIPO Coordination Committee on June 15 and 16, 2009.

C. Next Meeting of the WIPO Audit Committee

37. The next meeting of the Committee is tentatively scheduled to take place from Tuesday, August 18 to Friday, August 21, 2009.

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

1. Update on the Strategic Realignment Program
2. New Construction Project
3. Internal Control:
 - A. Update on IPSAS
 - B. Update on the Status of Oversight Recommendations
 - C. Validation of the Program Performance Report
 - D. Ethics and Integrity
 - E. Internal Audit Reports on the Review of the WIPO Risk Registers, and on the Audit of Travel and Mission Support in WIPO
4. Meeting with the Ombudsman and Staff Council
5. Assessment of the Work and Operations of the WIPO Audit Committee
6. Other matters

[Annex I follows]

WIPO



WO/AC/13/1

ORIGINAL: English

DATE: June 8, 2009

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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WIPO AUDIT COMMITTEE

Thirteenth Meeting
Geneva, June 8 to 12, 2009

DRAFT AGENDA

prepared by the Secretariat

1. Review of the Strategic Realignment Program
2. New Construction Project
3. Internal Control:
 - A. IPSAS
 - B. Follow-up on the Status of Oversight Recommendations
 - C. Internal Audit and Oversight Division
4. Assessment of the Work and Operations of the WIPO Audit Committee
5. Other matters

[End of document]

[Annex II follows]

ANNEX II

LIST OF DOCUMENTS

AGENDA ITEM 1: STRATEGIC REALIGNMENT PROGRAM

“Report on the Progress on the Strategic Realignment Program to the WIPO Audit Committee”, with covering transmittal e-mail, dated June 5, 2009.

AGENDA ITEM 2: NEW CONSTRUCTION PROJECT

(a) Progress Report

“Progress Report on the New Construction Project”, dated May 26, 2009, prepared by the Chair (Director General) and the Secretary (I. Boutillon) of the Construction Committee.

(b) Pilot Monthly Reports

Pilot Monthly Reports (including General Contractor Monthly Reports) Nos. 28 and 29 for March and April 2009.

(c) Risk Registers

- WIPO Risk Register updates No. 16 (March 2009) and 17 (April 2009);
- Pilot Risk Register (updates March and April 2009);
- IA/02/2009: Internal Audit Report “Review of WIPO Risk Registers for the New Construction Project”, dated March 19, 2009, with covering Memorandum from Mr. Treen to the Director General, dated March 2, 2009.

(d) Cash Flow

Cash Flow Projection for the Total Duration of the New Construction Project (1998-2012).

AGENDA ITEM 3: INTERNAL CONTROL

(a) IPSAS

Letter from P. Favatier to the Chair, dated April 6, 2009, transmitting:

- “FRR-IPSAS Implementation Project Initiation Document (PID)”, version 2.1, dated March 30, 2009, prepared by Robert Lawton; and,
- “Risk Management Log for FRR-IPSAS Implementation Project”, updated March 30, 2009.

(b) Follow-up on the Status of Oversight Recommendations

- Internal Memorandum “Oversight Recommendations Follow up”, dated May 18, 2009, from N. Treen to the Director General and Chair of the WIPO Audit Committee;
- Internal Memorandum “List of Oversight Recommendations with Outstanding Implementation Status”, dated April 15, 2009, from N. Treen to Program Managers;
- Revised pages 18, 25 and 26 of “Part I: List of Open Recommendations with Outstanding Implementation Status”;
- “Part I: List of Open Recommendations with Outstanding Implementation Status”;
- “Part II: List of Implemented WIPO Oversight Recommendations from 2002 to 2008”; and,
- Table entitled “Oversight Recommendations as per May, 2009”.

(c) Internal Audit and Oversight Division

- “IAOD Quarterly Progress Report: January – March 2009” (Memorandum dated April 2, 2009, from Mr. Treen to the Director General).
- Memorandum entitled “IAOD Report on Investigation Cases January – May 20, 2009”, from Mr. Treen to the Director General, dated May 27, 2009; and,
- Memorandum entitled “Evaluation Section Work Plan 2009, Update”, dated March 6, 2009, with note from Director General to Mr. Treen dated April 26, 2009.
- IA/02/2009: Internal Audit Report “Review of WIPO Risk Registers for the New Construction Project”, dated March 19, 2009, with covering Memorandum from Mr. Treen to the Director General, dated March 2, 2009.

Three documents carried over from AC/12 (December 2008):

Internal Audit Report: IAOD Audit Report No. IA/04/2009: “Audit of IT Access Controls”, with covering Internal Memorandum, dated March 3, 2009, from Mr. Treen to the Director General;

Internal Audit Report: IAOD Audit Report No. IA/01/2009: “Audit of Travel and Mission Support in WIPO”, with covering Internal Memorandum, dated March 11, 2009, from Mr. Treen to the Director General; and,

Internal Audit Report: IAOD Audit Report No. IA/03/2008: “Final Report on the Review of Significant Procurement Cases in WIPO”, with covering Internal Memorandum, dated November 14, 2008, from Nick Treen to the Director General.

AGENDA ITEM 5: OTHER MATTERS

(a) Financial Statements of WIPO

Financial Statements of WIPO for the year ending 31 December 2008, with covering letter from P. Favatier to the Chair of the WIPO Audit Committee, dated March 31, 2009.

(b) Financial Disclosure/Declarations of Interest

- Letter dated May 18, 2009, from the Director General to the Chair of the WIPO Audit Committee; and,
- Document WO/CC/61/4 “Financial Disclosure/Declaration of Interests”. Report by the Director General, to be presented to the Sixty-First (22nd Extra-ordinary) Session of the WIPO Coordination Committee, June 15 and 16, 2009.

[End Annex II and of document]