

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Third Meeting

Geneva, October 30 to November 2, 2006

REPORT

1. The third WIPO Audit Committee (hereinafter referred to as “the Audit Committee”) took place from October 30 to November 2, 2006. Present were Messrs. Khalil Issa Othman (Chair), Pieter Zevenbergen (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Babatunde Ajibola Oladele and Igor Shcherbak.
2. The Committee adopted the draft Agenda (Annex I).
3. The meeting was briefed by the Chair and Mr. Geoffrey Drage on the outcome of the tenth session of the Program and Budget Committee; the Assemblies, September 24 to October 2, 2006; and informal meetings with Member States and Secretariat officials.

AGENDA ITEM 1(a): The New Construction Project

I. Introduction

4. The Audit Committee was provided with the following documents by the WIPO Secretariat:
 - Progress Report on the New Construction Project, issued on October 17, 2006, by Mr. Philippe Petit, Chair, and Ms. Isabelle Boutillon, Secretary, of the Construction Committee;
 - Charter for the New Construction Project, issued on October 16, 2006, by Mr. Philippe Petit, Chair, and Ms. Isabelle Boutillon, Secretary, of the Construction Committee.

5. Further information and explanations were provided orally to the Audit Committee by Mr. Philippe Petit and Ms. Isabelle Boutillon during the course of the meeting. The Committee was advised by Mr. Petit and Ms. Boutillon that the Selection Board had selected a Pilot and that an announcement would be made imminently. Subsequently the name was communicated to the Audit Committee during its meeting. Further, it was understood that the review of the costs of the New Construction Project by the External Auditors should be completed by mid November 06. With regard to costs, the Committee was advised that apart from those costs already incurred no significant costs were now expected to be incurred until construction starts in February 2008, save for the relevant fees of the Pilot and the professional advisors concerned in the project. It was confirmed that OIOS was unable to undertake the internal audit work for the project.

II. Recommendations

6. Whereas on his appointment the Pilot is requested to prepare and regularly update a risk register for the New Construction Project, it is recommended that WIPO should now prepare its own register of risks and mitigating actions. Such register should also be updated on an ongoing basis and in particular following the appointment of the Pilot and the Contractor respectively. Both registers should be copied to the Audit Committee.

7. As part of the oversight of the New Construction Project and to clarify the relationships set out in the diagram in Annex I of the Charter (v 2006-03), it is recommended that two diagrams be prepared showing the relationships between the Pilot and: (a) WIPO Construction Committee and Internal Project Monitoring Team, and the Contractor; and (b) Internal Audit, the Audit Committee and External Audit, respectively.

8. It is recommended that only those Annexes in the Charter for the New Construction Project specifically relating to the Construction Project (Annex I, II, V, VI, VII, VIII, IX, X, XI and XII) should be included in the Charter. Annexes III, IV and XI should not be documents constituting part of the Charter but as a separate category to which the Charter refers.

9. It is recommended that a meeting of the Pilot with the WIPO Audit Committee be arranged following the Pilot's appointment and his review of the Construction Charter and, if possible, to coincide with the Committee's planned meeting in February/March 2007.

10. The Committee was advised that the External Audit review of the costs of the New Construction should be completed by mid-November 2006 and requests circulation to it of a copy of the review as soon as it is available.

11. In view of the inability of OIOS to undertake the internal audit work for the New Construction Project, the Audit Committee recommends that the Secretariat seeks alternative resources for this purpose and reports thereon to the Committee for its planned meeting in February/March 2007.

AGENDA ITEM 1(b): The Desk-to-Desk Review

12. The Audit Committee was provided with the following documents by the WIPO Secretariat:

- Report of the Internal Project Steering Committee Meeting (Report No. 1), dated September 4, 2006;
- Minutes of the Pre-bidding Conference held for bidders interested in providing services for the Desk-to-Desk Assessment Project, dated September 6, 2006;
- Bidder Questions and Answers;
- Supplementary Bidder Questions and Answers, dated September 6, 2006.

13. The Audit Committee was updated by Mr. Francis Gurry - Deputy Director General in his capacity as Chairman of the Internal Project Steering Committee (IPSC) which oversees the execution of the Desk-to-Desk Review. The Audit Committee benefited from the explanations and clarifications provided to it regarding the project. The Committee was advised that following the request for proposals the IPSC had recommended, and the Contracts Review Committee had approved, the selection of a shortlist of four consultants and then decided one of them was not entirely suitable. The IPSC would reach a decision on a recommendation to the Contracts Review Committee for the selection of one consultant following the third meeting of the Audit Committee. Detailed negotiations would then be carried out with the selected bidder with any possible amendments to the contract and terms of reference to be finalized by mid November 2006. Communications with staff will continue, including through Program Managers who would designate focal points for that purpose.

14. The Audit Committee observed that the Revised Terms of Reference were not provided. It was therefore unable to conclude if the observations and recommendations made during its second meeting were incorporated. The Committee could not therefore ascertain the completeness and adequacy of the TOR as provided to the prospective consultants.

15. The Audit Committee reiterates once more its previous position that “the purpose of the review would be to ascertain that the human and financial resources engaged in implementing current and future WIPO programs and work are adequate, by strategic goals enunciated under the 2006/07 Program and Budget in terms of the number and composition of the staff, skills provided, grade levels and funding” (document WO/AC/1/2).

16. The Audit Committee commended the Secretariat for organizing the pre-bidding conference. However, the Committee was concerned about the adequacy of the information provided to the prospective consultants. For this purpose, the Committee requests that the selected consultant is advised by the Secretariat of the relevant recommendations made previously by the Audit Committee and in particular those set out in paragraphs 19(f), (g), (h) and (j) of document WO/AC/1/2 and paragraph 15(a) of document WO/AC/2/2.

17. The Audit Committee welcomed the proposal for its participation in the planned informal meeting with the Program & Budget Committee, and the prospective consultants on the 14th December 2006.

AGENDA ITEM 2: Review of the implementation status of oversight recommendations 2002-2006; and**AGENDA ITEM 4: Review of the WIPO Internal Audit Plan.**

18. The Committee was provided with a document listing the status of implementation of recommendations made to WIPO by oversight bodies, namely: the External Auditor, the JIU and the Internal Audit and Oversight Division, over the period 2002-2006. It also benefited from the explanations and clarifications presented to it by Mr. Pautasso, the Acting Director of the Internal Audit and Oversight Division at WIPO.

19. In examining the document before it, the Committee noted that it was not always possible to establish the precise linkage between the action taken and the problem identified in the recommendation. In those instances the responses made appeared to be statements of intent and the Committee could not ascertain therefor the degree of compliance with the recommendations made. Further, the Committee noted that the Internal Audit and Oversight Division at WIPO had not yet developed a systematic approach for monitoring the degree of compliance through benchmarking or otherwise and the Committee recommends that this problem should be addressed forthwith.

20. It also noted with concern that oversight exercised by the Division during the period under consideration, was limited, partly due to lack of resources, and only consisted of four audits on the distribution of fees and two evaluations..

21. The Committee took note of the fact that the recruitment of the Head of Internal Audit had reached its final stages, yet there was no clear indication as to when the newly appointed Director would assume his duties. There were no indications either as to when an internal audit plan would be prepared for review by the Audit Committee.

22. Taking all the above into account, the Audit Committee could not escape the conclusion that, as of the date of this report, internal audit at WIPO is deficient, casting serious doubt on the overall effectiveness of internal control. Consequently, the Audit Committee urges the WIPO Secretariat to undertake the outsourcing of the principal internal audit functions, until such time as the Internal Audit and Oversight Division becomes fully operational. Further, the Audit Committee requests that it is provided with a progress report on this matter in time for its informal meeting with the Program and Budget Committee on 14th December 2006.

AGENDA ITEM 3

- (a): Methods of Work of the WIPO Audit Committee;**
- (b): Examination of document A/41/10 "Proposal on the Establishment of a WIPO Audit Committee";**
- (c): Internal Audit Charter.**

23. Taking into account its practice in the previous two meetings of the Audit Committee and, pursuant to the decision taken by the General Assemblies (document A/42/14 Prov.) in which they requested participation of the Audit Committee in a review of the terms of reference of the Audit Committee and of the Internal Audit Charter, the Committee discussed its own terms of reference and in particular the following matters:

- number and qualifications of members of the Committee,
- periodicity of the meetings,
- duration of the meetings,
- relations with external and internal audit,
- resources and the possibility of establishing a secretariat for the Audit Committee, and
- participation of the Audit Committee in meetings of the General Assemblies and the Program and Budget Committee.

24. The Audit Committee considered that discussion would need to continue beyond the open-ended Working Group of the Program and Budget Committee on 14th of December 2006, but to be concluded in time for its conclusions to be submitted for the consideration by the Assemblies in September 2007. In connection with its discussions, the Committee had before it documents related to the possibility of creating the Independent Advisory Audit Committee (IAAC) in the United Nations in New York.

25. With regard to Document A/41/11, the Internal Audit Charter, again with a view to its participation in the meeting of the open-ended Working Group of the Program and Budget Committee on the 14th of December 2006, the Audit Committee's discussions included the following topics:

- a) authority and prerogatives related to the position of the Internal Auditor with regard to a possible request from the Director General;
- b) conflicts of interest in Internal Audit;
- c) the position of the Internal Auditor *vis à vis* the WIPO Ombudsman;
- d) duties and modalities of work: liaison of the Internal Auditor with the Audit Committee and the External Auditor;
- e) support to the WIPO Audit Committee;
- f) reporting lines;
- g) appointment, replacement or dismissal of the Internal Auditor;
- h) revision clause.

AGENDA ITEM 5: Review the progress of the new WIPO Financial Regulations and Rules.

26. The Committee was provided with a note, dated October 18, 2006, on the Project of Revision of the Financial Regulations and Rules of WIPO, prepared by the Secretariat, for the advance information of the WIPO Audit Committee, and an e-mail from Ms. Carlotta Graffigna dated October 25, 2006, regarding the composition of the Task Force established to revise the WIPO Regulations and Rules.

27. The Audit Committee was briefed by Ms. Carlotta Graffigna and Mr. Philippe Favatier. Various aspects of the new WIPO Financial Regulations were discussed, including the objectives and preliminary draft table of contents.

28. The Audit Committee requested the Secretariat to provide it, with the first draft of the new Financial Regulations and Rules of WIPO for its forthcoming February/March 2007 meeting.

AGENDA ITEM 6: Other Matters

29. As part of the induction and orientation of the Audit Committee, it received a presentation by members of the Secretariat on the Development Agenda. The Audit Committee plans to receive presentations on other aspects of WIPO's activities in the future.

30. It was agreed that the Audit Committee would not meet in formal session in December 2006. The Committee delegated the Chair, Vice Chair and other members to attend the Program and Budget Committee Meeting from December 11 to 13, 2006, and participate in the open-ended Working Group of the Program and Budget Committee, on December 14, 2006, as envisaged in the decision of the Assemblies,.

31. The next session of the Audit Committee will be held in February/March of 2007. Specific dates will be agreed upon in consultation among the members of the Audit Committee.

32. Subject to further discussion by the Audit Committee, the draft Agenda for the February/March 2007 session is anticipated to include :

1. The New Construction Project
2. The Desk-to-Desk Review
3. Internal Audit and Oversight
4. Methods of work of the WIPO Audit Committee
5. Examination of document A/41/10 ("Proposal on the establishment of a WIPO Audit Committee")
6. Internal Audit Charter
7. Draft WIPO Financial Regulations and Rules
8. Procurement
9. Other matters

[Annex follows]

WIPO



WO/AC/3/1 Prov.

ORIGINAL: English

DATE: July 25, 2006

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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WIPO AUDIT COMMITTEE

Third Meeting

Geneva, October 30 to November 2, 2006

DRAFT AGENDA

prepared by the Secretariat

1. (a) The New Construction Project
(b) The Desk-to-Desk Review
2. Review of the implementation status of oversight recommendations 2002-2006
3. (a) Methods of Work of the WIPO Audit Committee
(b) Examination of document A/41/10 "Proposal on the Establishment of a WIPO Audit Committee"
4. Review of the WIPO Internal Audit Plan
5. Review the progress of the new WIPO Financial Regulations and Rules
6. Other Matters

[End of Annex and of document]