

WIPO



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WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Seventh Meeting

Geneva, December 3 to 6, 2007

REPORT

1. The seventh meeting of the WIPO Audit Committee (hereinafter referred to as “the Committee”) took place from December 3 to 6, 2007. Present were Messrs. Khalil Issa Othman (Chair), Pieter Zevenbergen (Vice Chair), Geoffrey Drage, Gong Yalin, George Haddad, Akuetey Johnson, Akeem Oladele, Igor Shcherbak and Gian Piero Roz.
2. The Committee adopted the draft Agenda (Annex I).
3. The Committee was briefed by the Chair on: the Working Group of the Program and Budget Committee, held on September 10, 2007, regarding the Review of the Terms of Reference of the Audit Committee and the Revised WIPO Internal Audit Charter; the Twelfth Session of the Program and Budget Committee, held from September 11 to 14, 2007; and, the Forty-Third Series of Meetings of the Assemblies of the Member States of WIPO, held from September 24 to October 3, 2007. With respect to the latter, this included participation by the Chair of the Committee in the deliberations of the Chair of the General Assembly and the Friends of the Chair on Agenda Item 12: Internal Audit Report WIPO Issued since the Last General Assembly [to be referred to the Friends of the Chair].
4. The Chair of the Committee reported that he had contacted the Chair of the General Assembly with the idea that the Committee should meet with him during the seventh meeting of the Committee but, unfortunately, the Chair of the General Assembly was absent from Geneva during that week.

5. The Committee was briefed by the Chairperson of the Coordination Committee, Dr. Hilde Janne Skorpen, Deputy Permanent Representative to the United Nations Office and the Conference on Disarmament, Permanent Mission of Norway in Geneva, on recent developments especially with regard to decision of the Director General to advance the process for nominating and appointing a Director General, and the outcome of the meetings held by the President of the General Assembly, the Chairperson of the Coordination Committee, and Regional Group Coordinators. The Committee assured Dr. Skorpen of its commitment to contribute, within the framework of its mandate, to a smooth transitional period.

6. The Committee wishes to meet with the President of the General Assembly, the Chairperson of the Coordination Committee and the Regional Group Coordinators at its next meeting in February 2008.

AGENDA ITEM 1: Internal Audit and Oversight

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

Internal Audit and Oversight

- Memorandum from Mr. Nick Treen, Director, Internal Audit and Oversight Division, to the Chair of the Committee, dated November 21, 2007;
- Copy of letter from Mr. Treen to Mr. Neier, External Auditor, dated November 22, 2007; and,
- Internal audit planning package for WIPO Internal Audit.

Oversight Recommendations with Outstanding Implementation Status

- Memorandum from Mr. Treen to the Chair of the Committee, dated November 30, 2007; and,
- List of Open Oversight Recommendations with Outstanding Implementation Status, dated November 30, 2007.

8. Further information and explanations were provided orally by Mr. Treen, Director, Internal Audit and Oversight Division (IAOD), and by Mrs. Carlotta Graffigna, Controller and Executive Director, on budgetary and outsourcing implications.

9. Observations:

Internal Audit and Oversight

- (a) The Committee was seriously concerned that, even with the completion of the recruitment process for an investigator, the understaffing of IAOD remains critical, with direct implications on Divisional activities;
- (b) The Committee noted that funds available in respect of vacant posts did not seem to have been satisfactorily used for outsourcing IAOD activities;

- (c) The Committee noted that the plan provided by the Director of IAOD made no reference to evaluation, investigation and inspection activities, or to management auditing and the promotion of good governance. Budgetary information, as well as information on the development of Divisional Manuals, was also missing. It was mainly an audit plan;
- (d) The Committee finds it wholly unsatisfactory that, *de facto*, IAOD is not functioning in accordance with its mandate, and the needs of the Organization, and will be unable to do so realistically for the foreseeable future; and,
- (e) The Director of IAOD agreed with the Committee on the need to consider a further refinement of the Internal Audit Charter to clarify the procedures to be followed in the case of audits which may involve the Director General and, possibly, other high-ranking officials.

Oversight Recommendations with Outstanding Implementation Status

- (a) The Committee noted the additional refinements to the follow-up system on the implementation of Oversight Recommendations, as recommended by the Committee at its sixth meeting (September 2007). It continued to be concerned about the adequacy of assurances given and problem flagging; and,
- (b) The Director of IAOD assured the Committee that his Division will continue to be responsible for this follow-up system. He informed the Committee that Managers are increasingly cooperative in the process and are aware of the need to implement oversight recommendations.

10. The Committee recommends that:

- (a) The Secretariat embarks on a more vigorous recruitment process for vacant posts and that, in the interim, the Director of IAOD, with backing from the Controller, enhances and intensifies outsourcing of IAOD activities and recruitment of temporary staff;
- (b) The Director of IAOD gives greater priority to the completion of Divisional Manuals using, as far as possible, existing material developed by other UN system organizations;
- (c) The Director of IAOD submits a revised Divisional Program Plan to the Committee for its next meeting in February 2008;
- (d) The Director of IAOD prepares new draft provisions to be included in the Audit Charter to address special cases which may involve the Director General and other high-ranking officials; and,
- (e) The Director of IAOD, in partnership with the responsible managers, gives assurances on the effective implementation of oversight recommendations.

AGENDA ITEM 2: The New Construction Project

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

Progress Reports

- WO/PBC/12/7 – Progress Report on the New Construction Project, dated August 17, 2007, presented at the Twelfth Session of the Program and Budget Committee, September 11 to 13, 2007;
- WO/GA/34/11 – Progress Report on the New Construction Project, dated September 17, 2007, presented at the Thirty-fourth (18th Ordinary) Session of the WIPO General Assembly, September 24 to October 11, 2007;
- Progress Report on the New Construction Project, dated November 27, 2007, by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee; and,
- Addendum to the Progress Report on the New Construction Project (November 27, 2007), dated December 5, 2007, by Mr. Petit, Chair, and Ms. Boutillon.

New Construction Charter

- Charter for New Construction Project, version 6, dated November 20, 2007, by Mr. Petit and Ms. Boutillon; and,
- Charter for New Construction Project, showing differences between versions 5 and 6, dated November 20, 2007, by Mr. Petit and Ms. Boutillon.

Risk Registers

- WIPO Risk Register version 4, dated November 30, 2007, by Mr. Petit and Ms. Boutillon; and,
- Pilot Risk Register, dated December 3, 2007, prepared by Burckhardt+Partner SA (“the Pilot”).

Pilot Monthly Reports

Pilot Monthly Reports from June to November 2007.

Auditing of the New Construction Project

A/43/INF/6: “Interim Audit by the External Auditor of the New Administrative Building and Additional Storage Construction Project - Follow Up to the 2006 Audit”, dated September 21, 2007, presented at the Forty-third Assemblies of the Member States of WIPO, September 24 to October 3, 2007.

12. Further information and explanations were provided orally to the Committee by Mr. Petit, Chair, and Ms. Boutillon, Secretary, of the Construction Committee, as well as Mr. Jean-Daniel Fehr, Project Director General and Mr. Jean-Noël Alaterre, Project Associate Director, Burckhardt+Partner SA (“the Pilot”). The Committee was briefed on progress, which indicated that the New Construction Project was currently running broadly in accordance with the expected timetable.

13. With reference to statements contained in paragraphs 9 and 20 of the Interim Report by the External Auditor (document A/43/INF/6), the Committee reiterates that it does not “supervise the Project”. The Committee has not, is not, and does not plan to be involved in any implementation or execution tasks, which are the responsibility and prerogative of the Secretariat. The Committee has no financial authority over the Project, and cannot therefore interfere in the financial management of the Project itself. The Member States mandated the Committee to oversee, through its quarterly meetings, the progress of the Project and to advise them, through the Program and Budget Committee.

14. The Committee noted that:

- (a) The Construction Committee, in its Addendum to the Progress Report, had provided an analyzed consolidated budget for the New Construction Project, the total of which amounted to approximately CHF164 million, excluding a proposal for a reserve for unforeseen expenditures for an amount of CHF7,886,260, making a potential aggregate total of CHF172 million;
- (b) The External Auditor, in their follow-up to their 2006 Audit of the New Construction Project (document A/43/INF/6), had estimated construction costs at CHF179 million, including the reserve referred to in (a) above; and,
- (c) The financial envelope for the New Construction Project, as approved Member States in October 2005, amounted to CHF125 million, excluding land purchase costs of CHF13.5 million and architectural competition costs of CHF1.7 million, which had previously been paid for, and that CHF114 million of funding was to be provided through a bank loan.

15. For clarification purposes, the Committee recommends that:

- (a) The Secretariat prepares a final revision to the budget estimate as soon as the fixed-price contract for the project is agreed with the selected main contractor, together with the cost of financing the loan from the selected bank. Distinction should be made between costs already incurred and paid for, and those to be financed;
- (b) A reconciliation is prepared explaining the differences between the Construction Committee’s final revised budget estimate and that of the External Auditor; and,
- (c) Statements are prepared by the Secretariat on:
 - (i) how the project costs not covered by the bank loan will be financed;
 - (ii) what expenditures need to be approved by Member States, giving an analysis of which budgetary periods and programs have been, or will be, affected; and,
 - (iii) how the historic and projected costs have been and will be accounted for.

AGENDA ITEM 3: IT Audit

16. The Committee was provided with the following document by the WIPO Secretariat:

A/43/INF/5: "Audit of Information Technologies", dated September 17, 2007, presented to the Forty-third Assemblies of the Member States of WIPO, September 24 to October 3, 2007.

17. Further information was provided orally to the Committee by Mr. Neil Wilson, Director and Chief Information Officer, IT Division.

18. The Committee noted that:

- (a) Both the Audit of Information Technologies and PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment refer extensively to an Enterprise Resource Planning (ERP) system, a proposal for which was submitted to WIPO Member States, for consideration, within the framework of possible use of WIPO reserves (document WO/PBC/12/4(c)). In view of the impact of an ERP system on the integrated program for Organizational Improvement; internal controls for appropriate usage of resources; and, reporting on management, auditing and other information to Member States, the Committee decided that it will review the ERP documentation prepared by the Secretariat at its next meeting;
- (b) Proposals for the upgrading of the Madrid and Hague IT systems had also been submitted to Member States, for consideration, within the framework of the possible usage of reserves, and that the Madrid Union Assembly had approved such a project;
- (c) The Audit of Information Technologies report did not aim at a full review of information and communication technologies (ICT) in terms of applications, technology and information security. However, in view of the linkages and interdependencies of ICT applications, the report also addressed the ERP project and other issues; and,
- (d) As pointed out in PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment, the success of an organizational improvement program will also depend heavily on efficient and up-to-date ICT infrastructure.

19. The Committee observed that:

- (a) Due to the nature of its work, WIPO depends upon ICT for its core substantive work more than many other UN organizations, where ICT applications support mainly office automation, documents management and administrative applications;
- (b) Modern ICT systems need to be supported by adequate, reliable and efficient infrastructure, and qualified staff;
- (c) The recently created IT Board includes managers from the substantive departments and that this alleviates to some extent the difficulties created by the dual function entrusted to Mr. Wilson;

- (d) The distribution of ICT responsibilities among various departments makes it difficult to have a global consolidated view of the human and financial resources devoted to ICT in the Organization;
- (e) The comments made by respective WIPO managers to the recommendations made by the external auditors, included in the Oversight Recommendations with Outstanding Implementation Status report prepared by IAOD, contained no budgetary estimates of the costs involved in implementing such recommendations;
- (f) Due to the budgetary restrictions of the recent past, the Organization's ICT infrastructure has not kept pace with technological advances. Investment would again be possible on approval of the proposed 2008/09 Program and Budget. According to Mr. Wilson, however, this would not enable the Organization to invest in new technologies to the extent required; and,
- (g) The implementation of new technologies was also made difficult by the fact that, as clearly stated in PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment, in-house skills available both in the technical areas, and on the part of the users, were not up-to-date. In particular, there are serious concerns about the capability of Human Resources Management Division staff, used to processes geared towards manual transactions, to support an ERP system.

20. The Committee recommends that:

- (a) ICT training for all staff, in particular managers, be included in the integrated plan for Organizational Improvement;
- (b) Specialized training be planned and implemented for technical staff to bring their skills up-to-date with the requirements of new technologies. Such training may require the replacement of technical staff during training to avoid understaffing of essential functions;
- (c) ICT competencies be part of the mandatory requirements for most, if not all, recruitments and promotions;
- (d) Careful attention be given to infrastructure upgrading and related financing that may be required to keep pace with new technological developments and the implementation of an ERP system;
- (e) The Secretariat prepares a consolidated annotated table of all ICT-related expenditures in the proposed 2008/09 Program and Budget, with a view to identifying possible economies of scale to redeploy resources for improving infrastructure and services;
- (f) The Secretariat presents the ERP proposal, and its positioning within the integrated program for Organizational Improvement, to the Committee at its next meeting in February 2008; and,
- (g) The Secretariat presents the IT Strategy to the Committee.

AGENDA ITEM 4: Desk-to-Desk Review

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

Program for Organizational Improvement

- Covering Letter from Mr. Petit, Chair, Organizational Improvement Program Committee (OIPC), to the Chair of the Audit Committee, dated November 28, 2007;
- Memorandum from the Director General to Program Managers concerning the Composition and Terms of Reference of OIPC; and,
- Draft Program for Organizational Improvement (powerpoint presentation).

Implementation of Financial Regulations and Rules

- Covering Letter from Mrs. Graffigna, Executive Director and Controller, to the Chair of the Audit Committee, dated November 26, 2007;
- Memorandum from Mrs. Graffigna to the Director General, dated November 5, 2007, and its annexes;
- Updated Matrix indicating main tasks, officer(s) in charge and deadlines for implementation of the new Financial Regulations and Rules;
- Training Plan and 2008 Training Timetable;
- Terms of Reference of the Working Group for Financial Regulations and Rules Implementation; and,
- Agenda and Summary of the First meeting of the Working Group on the Implementation of the Financial Regulations and Rules, held on November 22, 2007.

22. A presentation was made to the Committee by Mr. Petit, Chair, Organizational Improvement Program Committee (OIPC), and other members of OIPC, of a draft Program for Organizational Improvement.

23. The Committee was informed that:

- (a) OIPC had only been established on November 13, 2007, allowing little time for preparation of a Program plan;
- (b) The presentation made by OIPC was a “high level” approach to a Program Plan and did not provide any assessment of resource requirements;
- (c) As mentioned in document WO/GA/34/12 “Desk to Desk Assessment Final Report. Secretariat’s Comments”, dated August 17, 2007, it was stated that certain initiatives for organizational improvement had already been initiated by the Secretariat, namely: (i) HR Strategy; (ii) new Financial Regulations and Rules (FRR); (iii) ERP; (iv) Outsourcing; and, (v) IT. In the OIPC presentation, the Committee was advised that progress had been made on the following:
 - (i) the implementation of the new Financial Regulations and Rules (FRR);

- (ii) the piloting of the new Performance Appraisal System (PAS);
and,
 - (iii) the development of an IT strategy.
- (d) An Office Instruction (OI 42/2007) had initiated the implementation of the FRR. An understanding was given to the Committee that a full report on the piloting of the PAS would be made at the next meeting of the Committee, in February 2008. With regard to IT strategy, a report was due to be made by the IT Board imminently; and,
- (e) In the transition period running up to the appointment of a new Director General, there was a question on the part of the Secretariat as to what extent real progress could be made on establishing and implementing the integrated program for Organizational Improvement.

24. The Committee observed that the OIPC “draft Program for Organizational Improvement” powerpoint presentation did not meet the recommendations made by the Committee at its sixth meeting (document WO/AC/6/2, paragraph 24), as subsequently endorsed by a decision of the WIPO General Assembly at its Thirty-Fourth (18th Ordinary) Session (September 25 to October 3, 2007) (document WO/GA/34/16, paragraph 34) that:

- “(a) The Secretariat develops a comprehensive integrated program for Organizational Improvement along the lines and priorities recommended in PwC’s Final Report, and as recognized by the Secretariat in its report (WO/GA/34/12). Because such a program will not only be complex but likely to extend over a period of years, it should be constructed on a SMART C basis (Specific, Measurable, Attainable, Realistic, Timely and Consistent);
- (b) The Secretariat should prepare a road map for the implementation of the program showing the organizational and resourcing requirements. This road map should be reviewed by the committee at its meeting scheduled for the first week of December 2007;”

25. The Committee expressed the view that failure to make progress on establishing a program for integrated Organizational Improvement in the run up to the appointment of a new Director General would have a negative impact on the Organization.

26. The Committee further observed that a successful integrated program for Organizational Improvement could not be undertaken unless the Secretariat:

- (a) Had the full engagement of both management and staff, and that this would not be obtained without a coherent vision or set of alternative scenarios as the objective(s) to be reached by the change program;
- (b) Established first the starting point for change in terms of comprehensive flow charting of the Organization’s operations and mapping of all staff functions;

- (c) Addressed the leadership and management issues identified in PricewaterhouseCoopers' Final Report on the Desk-to-Desk Assessment;
- (d) Addressed the issue of having the necessary resources and competency to undertake an integrated program for Organizational Improvement;
- (e) Established more clearly the linkage between Results-Based Management (RBM) and the Performance Appraisal System; and,
- (f) Demonstrated how the proposed ICT systems would play a role as an enabler of organizational improvement (see also paragraph 20(a));

27. The Committee noted that it would be difficult to address simultaneously the various initiatives proposed by OIPC, and that proper critical path analyses for prioritizing initiatives would be expected to be a part of compiling the road map.

28. The Committee also noted the decision by the General Assembly (document WO/GA/12/16, paragraph 34(c)(iii) that:

“an open-ended meeting of Member States be convened, in the first quarter of 2008, to consider the documents to be submitted by the Secretariat to the WIPO Audit Committee in accordance with the preceding sub-paragraph, revised if appropriate in the light of any comments of the WIPO Audit Committee”.

29. The Committee recommends that:

- (a) OIPC re-addresses the integrated program for Organizational Improvement and presents a road map, in accordance with the General Assembly decision cited in paragraph 24 above, for the Committee's next meeting in February 2008;
- (b) OIPC be properly empowered and resourced with necessary competencies in order to undertake the tasks entrusted to it, and again reports to the Committee on this matter at its meeting in February 2008;
- (c) The process of establishing the integrated program for Organizational Improvement should be based on openness, accountability and integrity. Throughout the process, WIPO management, which is responsible for leadership of the program, should hold regular dialogue and consultations with, and report to:
 - (i) Member States (see paragraph 28 above);
 - (ii) Staff, including the Staff Council, through the statutory staff/management consultation channels; and,
 - (iii) the WIPO Audit Committee.

30. The Committee also recommends that, as part of undertaking the critical path analyses and planning for the road map, the Secretariat incorporates:

- (a) Alternative options, for consideration by future management, about the administrative structure of the Organization aligning it with best and most commonly accepted structures in the UN system;
- (b) Alignment of the Organizational Structure to the Program Structure and issuance of a documented Organigram that spells out the function, responsibilities and accountability of each organizational unit. In this regard, the Organigram should clearly show the reporting lines among Organizational units, and the approved staffing tables by number and level of posts;
- (c) Development of annual work plans for all staff members to form the basis for the Performance Appraisal System (PAS);
- (d) Pending the possible implementation of an ERP system, the development of ICT systems that:
 - (i) facilitates and ensures safe handling of financial authorities delegated to Program Managers; and
 - (ii) facilitate control of the staffing table, charting of the Organization's operations, and mapping of all staff functions.

31. The Committee expects to receive a progress report on each of the items under paragraph 30 in time for its next meeting in February 2008.

Financial Regulations and Rules

32. A presentation was made to the Committee on the new Financial Regulations and Rules (FRR) by Mrs. Graffigna, Executive Director and Controller.

33. The Committee noted:

- (a) Office Instruction No. 42/2007, dated November 12, 2007, and a letter dated November 26, 2007, regarding the new Financial Regulations and Rules (FRR), effective as of January 1, 2008;
- (b) The Matrix of tasks to be undertaken to implement the new FRR, which highlights the volume and complexity of the tasks; and,
- (c) That, according to Office Instruction No. 42/2007, the Controller, besides being *de facto* the Controller, will also act as Financial Executive Director, and will therefore be responsible for: ensuring that appropriate advice is given to the Director General on all financial matters; keeping proper financial records and accounts; and, maintaining an effective system of financial internal control.

34. To assure internal control, in addition to points made on IAOD under Agenda Item 1, and on ICT under Agenda Item 3 above, the Committee recommends that:

- (a) Training be provided for staff to equip them with the necessary skills and know-how needed for the application of the new FRR;
- (b) Adequate attention be given to compliance with the new FRR; and,
- (c) Serious consideration be given to designating a Senior Executive responsible to the Controller for ensuring compliance with WIPO procedures, and all applicable statutes and regulations.

35. The Committee will continue to review the implementation of the new FRR at its next meeting in February 2008.

AGENDA ITEM 5: Other Matters

(a) Staff Council

36. At the request of the Staff Council, the Committee met with Mrs. Sally Young, President, and Mrs. Alba Steiner, Vice-President, who provided the Committee with a copy of the Staff Council Newsletter dated November 28, 2007, and an Internal Memorandum from the Staff Council to the Director General, dated November 28, 2007.

37. The Committee was apprised orally by Mrs. Young and Mrs. Steiner of the contents of those two documents, as well as other matters.

38. Some of the topics introduced and discussed included the Joint Advisory Committee, Promotion Advisory Boards and Selection processes.

39. The Committee will review those and other staff-management related matters with WIPO management and the Staff Council under the Desk-to-Desk Agenda Item at its next meeting in February 2008.

(b) Briefings and Inductions

40. The Committee was unable to benefit from briefing and inductions by WIPO officials on the PCT, Madrid, Hague and Lisbon systems. This will be organized for its February 2008 meeting.

(c) Next Meeting

41. The next meeting of the Committee will be held from February 18 to 21, 2008.

42. Subject to further discussion by the Committee, the draft Agenda for the February 2008 meeting is anticipated to include:

1. Joint meeting with the President of the General Assembly, the Chairperson of the Coordination Committee and Regional Group Coordinators
2. (a) Joint meeting with the External Auditor, Internal Auditor and the Committee
(b) Internal Audit and Oversight
3. Desk-to-Desk Review
4. New Construction Project
5. Enterprise Resource Planning
6. Information and Communication Technology
7. Other matters

[Annex follows]

WIPO



WO/AC/7/1

ORIGINAL: English

DATE: December 3, 2007

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WIPO AUDIT COMMITTEE

Seventh Meeting
Geneva, December 3 to 6, 2007

AGENDA

prepared by the Secretariat

1. Internal Audit and Oversight
2. The New Construction Project
3. IT Audit
4. The Desk-to-Desk Review
5. Other matters

[End of Annex and of document]