

## **WIPO General Assembly**

**Fortieth (20<sup>th</sup> Ordinary) Session  
Geneva, September 26 to October 5, 2011**

### **SUMMARY ANNUAL REPORT OF THE DIRECTOR OF THE INTERNAL AUDIT AND OVERSIGHT DIVISION**

*prepared by the Secretariat*

1. This document presents the Summary Annual Report of the Director of the Internal Audit and Oversight Division.

2. *The General Assembly is invited to take note of the Summary Annual Report of the Director of the Internal Audit and Oversight Division and to agree the proposed recommendations made for changes to the Internal Oversight Charter by the Director of the Internal Audit and Oversight Division.*

[Annex follows]



## CONTENTS

	<u>Page</u>
I. BACKGROUND .....	2
II. INTERNAL OVERSIGHT ACTIVITIES SUMMARY .....	2
(a) Internal Audit.....	2
(b) Investigation.....	4
(c) Inspection.....	6
(d) Evaluation .....	6
III. OTHER OVERSIGHT WORK.....	7
IV. OVERSIGHT RESOURCES AND PLANNING .....	10
V. LOOKING FORWARD .....	11
VI. CONCLUSIONS.....	12
VII. LAST COMMENT.....	13
APPENDIX I	Summary of significant risks and operational efficiency issues raised in the Audit Reports
APPENDIX II	Qualitative analysis of oversight recommendations
APPENDIX III	Investigation lessons learnt and recommendations
APPENDIX IV	Investigation statistics
APPENDIX V	Evaluation Section lessons learnt and recommendations
APPENDIX VI	IAOC recommendations issued to IAOD in the reporting period
APPENDIX VII	Acronyms

## **SUMMARY ANNUAL REPORT OF THE DIRECTOR OF THE INTERNAL AUDIT AND OVERSIGHT DIVISION**

July 1, 2010 to June 30, 2011

### **I. BACKGROUND**

1. The purpose of WIPO's Internal Audit and Oversight Division (IAOD) is to provide independent and effective internal oversight for WIPO, in accordance with the provisions set out by the Member States in the Internal Oversight Charter<sup>1</sup> (IOC).
2. The WIPO IOC, paragraph 25, requires the Director of IAOD to present a Summary Annual Report to the Director General, with a copy to the External Auditor and the Internal Advisory Oversight Committee (IAOC), of activities undertaken, including orientation and scope of such activities, the schedule of work undertaken and the progress on the implementation of prioritized recommendations. This Summary Report is also presented to the General Assembly, and enables our major stakeholders and WIPO staff generally to be informed of IAOD reports, activities, and the challenges faced by IAOD in fulfilling its mandate. IAOD also make a presentation on their activities (IOC, paragraph 24) to formal sessions of the Program and Budget Committee (PBC). Annual Reports of the activities of the three Sections of IAOD (Internal Audit, Evaluation and Investigation) are also prepared at the end of the year for the Director General and these are copied to the IAOC.

### **II. INTERNAL OVERSIGHT ACTIVITIES SUMMARY**

3. The main internal oversight activities in the period are summarized below:

(a) Internal Audit

- (i) Audit reports were issued in the period on the following topics:

- Revenue Generation Process for the WIPO Arbitration and Mediation Center (IA/02/2010);
- WIPO Risk Registers for the Construction Projects (IA/04/2010) (September, 2010);
- Locally Engaged Consultants by WIPO (IA/05/2010);
- Treasury and Cash Management (IA/06/2010);
- Review of Cooperation for Development Activities (IA/07/2010);
- Review of Cash Advances (IA/01/2011);

---

<sup>1</sup> An internal auditor was first appointed in May 2000 with a mandate for both internal audit, evaluation and also informally acted as a focal point for investigation and inspection. With the approval of the WIPO Internal Audit Charter by the General Assembly in September 2005, investigation and inspection were officially incorporated into the IAOD mandate. The Internal Audit Charter was revised by the General Assembly in 2007 and again in 2010 when the title was changed to Internal Oversight Charter, and now covers all oversight functions (i.e. internal audit, evaluation, investigation and inspection).

- WIPO Risk Register for Construction Projects (IA/02/2011) (May, 2011);
- Review of Procurement Activities (IA/03/2011);
- WIPO Academy (IA/04/2011);
- Flexitime System and Employee Access Controls to WIPO's Premises (IA/05/2011).

Appendix I is a summary of the main findings of these reports is set out against the major risks to which they pertain.

(ii) Audit fieldwork is currently ongoing for the following audits:

- Review of Human Resources Management at WIPO (IA/06/2011);
- Review of Software Asset Management (IA/07/2011);
- Verification of IAOC Recommendations (IA/08/2011);
- IT and Information Security Related Audit Recommendations (IA/09/2011).

(iii) The Internal Audit Planning package (strategy, risk assessment, needs analysis, 2010/11 biennium work plan and program) was updated taking into account additional staffing resources in the Internal Audit Section and organizational and system changes in WIPO since the plan was first developed. The revised Audit Work Plan for 2010/11 biennium identified audit needs for high and medium-risk business areas and topics of 1,110 audit-days' work<sup>2</sup>. IAOD are currently able to only provide some 705 audit-days in 2010/11 to these tasks (including 160 days for outsourcing to external consultants of which 90 days were used in 2010 and the remaining 70 days were planned to be used in 2011). Additional temporary staffing in the Internal Audit Section has enabled IAOD to provide partly better coverage of high risk areas. However, the shortfall in effective audit coverage of high and medium-risk business areas and systems still remain a significant concern. Insufficient coverage of high and medium risk as identified via the risk assessment and audit needs analysis indicates that IAOD cannot provide reasonable assurance on the effectiveness of risk management, control and governance processes. In line with the Institute of Internal Auditors (IIA) standard 2600, this is formally communicated to Member States, to WIPO Management and to the IAOC. As a consequence, it is noted that there is acceptance of an unnecessary high degree of risk by WIPO Management.

(iv) The Internal Audit Section follows the Professional Standards and Code of Ethics of the IIA and the related practice advisories and guidance. It has externally been quality assessed as in "general conformity" with the IIA Standards - this is the highest level of quality achievable under the IIA's quality assurance process. In line with IIA practice, advisory and guidance, and as recommended by the External Auditor an Internal Audit Manual, Policies on Document Retention, Archiving and

---

<sup>2</sup> This compares reasonably with benchmarks set by the UN Joint Inspection Unit (JIU) of between four and 10 professional auditors for a UN body of WIPO's size and complexity (JIU/REP/2006/2 Annex 1 and JIU/REP/2010/5 paragraph 81 refer). Due to the current lack of audit staff, not all identified areas of high risk and no audit of medium or low risk is currently undertaken. The amount of man years for a full and proper coverage of the high risk auditable areas identified by the audit needs and risk assessment is currently over four man years.

Training were prepared, approved and disseminated to all IAOD staff<sup>3</sup>. Standard audit templates have been further elaborated in the period.

(v) A spreadsheet-based database was developed and implemented to accurately collect, record and report on the status of all oversight recommendations. The consolidated spreadsheet containing status information and allows for full review of the status of progress in implementing oversight recommendations is reported to the Director General (and the IAOC) every six months. This has been the practice since 2006. The consolidated information was also presented for the first time to the Program and Budget Committee meeting on January 12, 2011 (see paragraph 8 below).

(vi) In order to increase effectiveness and efficiency in audits, an in-house training was organized for all IAOD staff members in the Internal Audit and Investigation Sections to acquire technical skills to use Audit Command Language (ACL), a specialized software that can be used as an aid to analyze large amounts of financial and non-financial data as part of regular audits, continuous auditing or investigations. Following an evaluation exercise of available options, a special software tool (TeamMate) was purchased to enable a reliable and efficient repository of audit work papers prepared during future audits. Other training for audit staff covered the International Public Sector Accounting Standards (IPSAS), performance audit, Information Technology (IT) developments and human resources audit.

(vii) The IAOD home page on WIPO intranet was periodically updated to include information on the internal audit strategy, the audit planning and on the role of internal audit in WIPO, as well as on the risk assessment methodology used for audit planning, risk management and control issues. Additionally, executive summaries of the internal audit reports were also made available on the IAOD intranet page. The "oversight" pages on the WIPO public Internet site were also refreshed and updated. Member States may read Internal Oversight reports in the office of the Director, IAOD whenever they wish (IOC, paragraph 18 refers) and during the period two Member States took up this opportunity.

(viii) An audit approach and an audit program were developed, and are under trial implementation to carry out a continuous audit, analysis and testing of financial and non-financial data at regular intervals.

(b) Investigation

(i) Fourteen new cases were received or initiated in the reporting period (as compared with nine received in the previous period). Twenty seven cases were able to be closed in the period (as compared to 11 cases previously). Thirteen cases are currently being processed by the Investigation Section, of which six are active investigations, six are complaints received undergoing preliminary review and one case is "close pending".

---

<sup>3</sup>This would likely mean an increase in the External Auditor's assessment of the Internal Audit Section's compliance with the IIA Standards from over 80% to near 90% and continue to ensure an overall rating of "general compliance" with the Standards of the IIA.

*Investigations in the reporting period*

Active cases and complaints on July 1, 2010	New complaints registered	Investigation actions completed	Active cases and complaints as at June 30, 2011
26	14	27	13

(ii) A detailed work plan for the Investigation Section was prepared and sent to the Director General and the IAOC.

(iii) An Annual Activity Report for the Investigation Section was prepared, which was issued in January 2011. It reported on the Section's key achievements and challenges met in the previous year. The report concluded that the investigations undertaken during that period had led to some satisfactory outcomes and also to some general lessons to be learnt. It noted that although a number of significant investigations remained, it was likely that the outcome of these would have a positive impact upon a number of areas where abuse appeared to be prevalent. IAOD have paid special attention to drawing out lessons learnt and making recommendations in particular areas of the Organization. A summary of these lessons learnt can be found in Appendix III.

(iv) The Investigation Section continued to be an important resource for the Human Resources Management Department (HRMD) and the Office of the Legal Counsel (OLC) in their handling of cases before the Joint Advisory Committee or on appeal to the WIPO Appeal Board or the International Labor Organization's (ILO) Administrative Tribunal following investigation by IAOD. In 10 cases investigated in this and the previous reporting periods, IAOD provided advice and comment to HRMD and OLC to develop the factual case record through preparation of statements and by commenting on draft pleadings.

(v) The Investigation Manual was agreed with the Director General and published by IAOD in August 2010 following extensive internal consultations with OLC, HRMD and the Staff Council. The Manual includes information for IAOD investigators on investigative techniques, methods and procedures. The Manual will help ensure the delivery of investigation reports of a consistently high standard and assured quality. It has been made available to all staff to ensure that they have a good understanding of the investigation process and procedure. An Investigation Policy was also provided to the IAOC in August 2010 for review and comments. The Policy was considered by the IAOC at their 19<sup>th</sup> meeting in November 2010. Finalization of the Policy is delayed again due to lack of staff. Following completion of future internal consultations, the Policy will be provided for consultation to the Member States, as required by paragraph 13(b) of the IOC.

(vi) The Investigation Section intranet site has continued to be periodically updated and includes links to the IOC, Uniform Guidelines for Investigations (in Arabic, English, French and Spanish) and other useful links to sites such as the International Civil Service Commission (ICSC) Standards of Conduct and the United Nations (UN) Office of Internal Oversight Services (OIOS) website. Plans are now in place to develop a WIKI site for the Section, which would enable all staff to provide feedback to the Section in respect of its activities, policies and procedures.

(vii) Active support and help was provided to the Organization prepare a "Policy on preventing and determining Corruption, Fraud, Collusion, Coercion, Money

Laundering and the Financing of Terrorism” which was developed in response to an IAOD recommendation made to the Director General in 2010. Briefings and information for the UN Joint Inspection Unit (JIU) inspection review of the Investigation function in the UN system were prepared.

(viii) In accordance with paragraph 26(g) of the IOC, I report that a staff member has refused to assist in an ongoing investigation. As at the date of this report the staff member concerned, who is the subject of an investigation, has refused a total of four requests from the Investigation Section for interview.

(c) Inspection

(i) No inspections were planned or carried out in the period. It is planned, later in 2011, to follow up on the review carried out in 2007 of WIPO Integrity and Ethics System. Some of the recommendations from that review have been implemented, e.g., an Ethics Office has been created and is a significant step forward to establishing desired organizational integrity, ethics and organizational values. The Investigation Section is continuing work with the Chief Ethics Officer on developing a Whistleblowing Protection Policy (IOC paragraph 8 refers) and IAOD will establish a confidential reporting “Hotline”. Protection against retaliation for whistleblowers (IOC paragraph 9 refers) is guaranteed by the Director General through the Ethics Office. The establishment of the Hotline will be completed in 2011.

(d) Evaluation

(i) Between April 2010 and January 2011 the Evaluation Section has only functioned intermittently because of lack of staff<sup>4</sup>. The Evaluation Section is set up to ensure adequate independence for their evaluation work and activities from those responsible for the management and implementation of those activities, and to ensure transparency, accountability and to serve the needs of users and stakeholders, both internal and external, following the international recognized UN Evaluation Group (UNEG) Norms and Standards.

(ii) The main focus of the Evaluation Section has been the implementation and operationalization of the WIPO Evaluation Policy and the 2010 – 2015 Evaluation Section Strategy. In line with the objectives of this strategy and the 2011 Section Workplan, the Evaluation Section developed, in April 2011<sup>5</sup>, the Terms of Reference for the first Pilot Country Portfolio Evaluation (CPE) in Kenya which will be finalized before end 2011. This Evaluation serves the dual objectives of learning and accountability. As such, this country portfolio evaluation will:

- Assess and report on the performance and results (outputs, outcomes and, where possible, impact) of the activities undertaken in Kenya for the period 2005-2010, in line with the WIPO mandate and in response to the country's needs, as well as analyzing the factors that accounted for the achievement or lack thereof (accountability); and
- Determine the reasons for observed success/failure and draw lessons from experience to produce evidence-based findings, to allow Senior Management to make informed strategic decisions about positioning itself in Kenya, from

---

<sup>4</sup>The Senior Evaluator went on maternity leave in March 2010 and returned on February 2011. The recruitment of the Head of Evaluation Section was completed and the new Head took up post in July 2011.

<sup>5</sup>This was developed based on extensive consultation with managers and preliminary work carried out in late 2009 and 2010. The development of the Terms of Reference was delayed because of the maternity leave of the Senior Evaluator in 2010.

strategic partnerships, and improve operations design and implementation whenever possible (learning).

(iii) In order to strike the balance between the two evaluation aims of learning and accountability; and with the Evaluation Section aim of creating a common evaluation culture, the Evaluation Section is currently preparing an Evaluation Seminar on “Learning from Existing Evaluation Practices on the Impacts and Effects of Intellectual Property on Development”. The main focus of the October 2011 Evaluation Seminar is sharing good practices in Evaluation of Intellectual Property. The most valuable feature of the Seminar is the focused learning that will take place during the sessions. The Seminar will bring together IP evaluation practitioners as well as academia, commissioners and WIPO internal and external stakeholders.

(iv) In addition to the above delivered outputs the Evaluation Section has provided access to evaluation guidance, reports and material to staff and the public in general and assisted various programs with evaluation advice and informal support directed to improve current monitoring and evaluation practices.

(v) The main lessons learnt from evaluation work presented in the reporting period are set out in Appendix V below.

### **III. OTHER OVERSIGHT WORK**

#### *Audit and Control Advice*

4. IAOD have provided advice to management on various issues concerning risk management, system of internal controls, results-based management and strategic planning, and compliance with the relevant regulations and rules of the Organization. IAOD will keep providing audit/advisory work on important projects, as resources allow, in WIPO such as:

- The establishment and implementation of enterprise-wide risk management processes;
- The introduction and implementation of a sound system of internal controls and accountability framework;
- The implementation of IPSAS and of an integrated Enterprise Resource Planning (ERP) System; IAOD are an observer to the project team with a view to ensuring that the PeopleSoft modules will have sufficient and effective internal controls embedded in the new processes.

#### *The Independent Advisory and Oversight Committee*

5. The WIPO General Assembly approved, in September 2005, the establishment of an Audit Committee (AC). In 2010 the title of the AC was changed to Independent Advisory and Oversight Committee (IAOC)<sup>6</sup>. The 17th through 21st meetings of the IAOC took place in the period covered by this report. IAOD have been regularly invited by the IAOC to attend its quarterly meetings in order to answer detailed questions concerning the work and functioning of the Division.

---

<sup>6</sup> WO/GA/39/6 and WO/AC/18/2 paragraph 27.

6. Recommendations made by the IAOC concerning IAOD are set out in Appendix VI, together with comments on the implementation of the recommendations to date.

7. In April 2010 the Chair of the then AC wrote a letter to the Director General advising that the term of office of the Director, IAOD<sup>7</sup> not be renewed. This letter was not copied to the Director, IAOD, but the Director General kindly provided a copy. The letter did not explain the recommendation of the Chair and the AC have not recorded in their meeting reports their considerations on this. The matter was not discussed with the Director, IAOD. Subsequently, Member States kindly extended the term of office of the incumbent Director, IAOD by one year.

#### *The External Auditor*

8. The excellent professional and working cooperation and coordination established with the External Auditor has continued with regular information sharing meetings on audit, internal control and risk management issues. The External Auditor is sent all Internal Audit reports and a copy of IAOD's biennial and annual audit work plans and strategy with a view to ensuring efficient audit coverage and avoiding any potential unnecessary duplication.

#### *The Ombudsman*

9. During the reporting period, the Director, IAOD and the Ombudsman have continued, as required by the IOC paragraph 8, to meet regularly to ensure good liaison and avoid any unnecessary duplication of activities. The exchange of views and discussions have been very helpful and useful in ensuring that the separate and independent mandates of the Internal Auditor and the Ombudsman are carried out effectively.

#### *Follow-up and implementation of internal and external Oversight Recommendations*

10. The Director General is responsible for ensuring that all recommendations made by the Director, IAOD and other oversight entities are responded to promptly, indicating actions taken regarding specific report findings and recommendations<sup>8</sup>. The Director General discharges this responsibility through his Program Managers responsible for the specific operational areas within the Organization<sup>9</sup>. The implementation of all oversight recommendations by WIPO Managers is subject to regular follow-up by IAOD, in order to ensure that the Director General may see proper action has been taken effectively by management or that senior management has accepted the risk of not taking action by providing satisfactory explanation, supported by factual evidence as to why recommendations will not be implemented<sup>10</sup>.

11. IAOD also follow up on their own recommendations themselves and this is done in three ways:

- At the start of each new audit, a review of the implementation of related earlier recommendations is undertaken;

---

<sup>7</sup>The term of office of the Director, IAOD was four years renewable once with no possibility of further employment in WIPO.

<sup>8</sup>IOC para 22.

<sup>9</sup>Office Instruction 16/2010, para 7.

<sup>10</sup>OI.16/2010 paragraph 3.

- Through the updating, with information from the responsible Managers, of the listing of Implementation of Oversight Recommendations spreadsheet and its submission to the Director General and the IAOC for review;

- As a specific annual exercise to keep the Director General informed on the progress of implementation activities by WIPO Managers. In respect of this, the Director General has requested the Senior Management Team (SMT) to take more effort in implementing accepted oversight recommendations as quickly and expediently as practical.

12. The IAOC review the list of oversight recommendations at every other of their regular meetings. During the period, the IAOC agreed that a risk based approach should be adopted at WIPO for the follow-up of oversight recommendations. WIPO Managers responsible to the Director General for implementing oversight recommendations have also been more specifically identified and held accountable through the listing.

13. Based on the List of Oversight Recommendations, at the end of this reporting period the full implementation of 163 recommendations (including those of the IAOC) remains outstanding. During the reporting period 189 new recommendations were added to the list and 239 recommendations were fully implemented. IAOD recommendations account for 128 of the 163 outstanding recommendations, or (79%). The number of implemented recommendations increased significantly in relation to last year due to the strong commitment of the Director General to ensure appropriate and timely actions by WIPO Managers. The Director General has given instructions to his Managers to adopt a robust “comply or explain” approach for the implementation of oversight recommendations, which is in line with the provisions of Office Instruction 16/2010. For further analysis of oversight recommendations please refer to Appendix II of this report.

*Oversight Recommendations Implementation progress - July 1, 2010, to June 30, 2011*

Recommendations from	July 1, 2010			June 30, 2011
	Initial Number	Additions in the period	Recorded as Implemented in the period	Not yet fully implemented
External audit	29	16	38	7
Joint Inspection Unit Reports	4	0	2	2
IAOD Reports	116	140	128	128
Ernst & Young	1	0	0	1
IAOC	63	33	71	25
<b>Totals</b>	<b>213</b>	<b>189</b>	<b>239</b>	<b>163</b>

14. The recommendations of the External Auditor have continued to be progressively implemented during the period, and only two remain outstanding. As required by the IOC, paragraph 23, a report was provided to the Director General regarding the implementation of recommendations made by the External Auditor and this has been copied to the External Auditor and the IAOC.

*UN Networking*

15. The IOC (paragraph 13(f)) makes specific provision for the need for participation in the various formal networks of the UN for oversight functions. During the period under review,

IAOD continued its active and useful collaboration and networking with other UN organizations and entities. In particular IAOD:

- Co-hosted the 41<sup>st</sup> Annual Meeting of Representatives of Internal Audit Services (RIAS) of the UN, in September 2010, together with the ILO, the World Meteorological Organization (WMO) and the International Telecommunication Union (ITU). The Director, IAOD is Chair of the RIAS Working Group on Audit Committee good practice and principles;
- The Evaluation Section has continued its active participation in the UNEG and assisted in the setting up of a less formal network of evaluators in Geneva-based international organizations. The Director, IAOD attended the annual UNEG meeting in May 2011, hosted by UNESCO in Paris;
- Is an active member of the inter-agency forum for UN investigators – the Conference for Internal Investigators;
- Cooperated with other UN organizations based in Geneva on joint training activities.

#### IV. OVERSIGHT RESOURCES AND PLANNING

16. Staffing issues have challenged the proper and effective introduction of internal oversight at WIPO for a considerable period of time. The Director General has taken some very welcome positive steps to provide more oversight staff during the period. IAOD now have seven posts (of which four are filled) and may soon have four short term staff providing an authorized headcount of 11 for 2011<sup>11</sup>. IAOD's current priority staffing issues are to support HRMD fill longstanding vacant posts expeditiously and obtain further staff for internal audit, evaluation, investigation, and for some permanent administrative and support staff. This will help move IAOD closer to UN staffing norms for internal oversight activities.

##### *2010/11 IAOD Budget<sup>12</sup>*

Approved Budget			Expenditure	Expenditure and Commitment			Balance		
Personnel Resources	Non-Personnel Resources	Total	Personnel Resources	Non-Personnel Resources	Total	Personnel Resources	Non-Personnel Resources	Total	
2,828	778	3,606	1,853	513	2,366	975	265	1,240	

<sup>11</sup> For the 2012/13 Budget IAOD proposed they be allocated a headcount of 12 – 10 posts and two consultants. The draft budget proposes a headcount of 11 – 7 posts and 4 consultants.

<sup>12</sup> As at June 30, 2011. In thousands of Swiss francs. Staff commitments are allocated annually. This is the Budget as currently approved by the Director General. The IAOD currently has a headcount approved by the Director General of 11 (seven posts and four consultants).

*Staffing Table and Information*

IAOD Management Unit	Current Posts	Staffing / Headcount as at June 30, 2011	Comments
Director and the Support Section	1	2	The Director, IAOD (D1) contract has been ended January 2012. A new Director is currently being recruited. An administrative assistant on a six month contract until September 2011.
Internal Audit Section	2	2	The recruitment for the Head of Section (P5) post was completed in May 2011. The vacancy for a Senior Internal Auditor (P4) post was advertised in June 2011. A consultant senior internal auditor has been contracted to August 2012.
Investigation Section	1	2	A temporary Head of Section (P5) has been transferred to IAOD to the end of 2011. The Head of Section post is currently being considered by a Selection Board. A consultant investigator (P3) is being recruited. A Secretary is contracted to the end of 2011.
Evaluation Section	2	1	A Head of Evaluation Section (P5) has taken up duties in July, 2011. The Senior Evaluator (P4) has returned from her maternity leave in February 2011 and now works half time. An intern has been allocated to the Section to end 2011.

17. The IOC (paragraph 26(i)) specifically requires the Director, IAOD to comment on the adequacy of resources allocated to internal oversight within the Organization. IAOD have not yet reached a level of sufficient staffing to ensure the effective and independent functioning of any of the internal oversight functions and to enable IAOD to successfully and fully carry out its mandate effectively.

18. During the reporting period, use was made of contracted experts for various oversight activities. This was particularly valuable for work related to audits and investigations. It is planned to continue to make use of contracted experts and contractors in the next years in order for IAOD to be able to compensate somewhat for the lack of staffing resources.

**V. LOOKING FORWARD**

19. Set out below are some of the main objectives and challenges for the next reporting period.

*Internal Audit*

20. The Internal Audit Section was strengthened in 2010 with one additional temporary staff. This has helped improve the audit coverage but there is demonstrated need for four auditing staff to provide full audit coverage of high-risks areas and to ensure the Director General and Member States are provided with reasonable independent assurance on the adequacy and effectiveness of the system of internal controls, risk management and governance processes at WIPO. The internal audit strategy, risk and needs assessment will continue to be reviewed and revised in line with the changing priorities, strategic goals and risk profile of the Organization. The Internal Audit Section will continue to provide advice on risk management and governance issues with a view to supporting the Director General's goal to establish an effective Enterprise Risk Management (ERM) in WIPO.

### *Investigation*

21. The conduct of more timely investigations remains the top priority. The Investigation Section still needs extra and permanent staff resources to continue to ensure the quality and timeliness investigations. External investigation experts have recommended that the Investigation Section have a minimum of three professional staff members and this staffing level has been agreed by the Director General. These minimum recommended staffing levels are essential in order to reduce the risks of not fully carrying out all necessary investigation work to desired levels of quality and timeliness and IAOD will work with HRMD to achieve this level of staffing as a priority for 2012.
22. An increase in the staffing levels will also ensure that IAOD are able to continue to make a valuable contribution in two significant areas:
- (a) In supporting the necessary and important improvement and development of systems, policies and procedures relevant to improving ethics, integrity and the internal administration process. In particular to carry out a fraud and wrongdoing risk assessment and complete work on implementing an employee "Hotline";
  - (b) In providing an increased cost saving benefit to the Organization due to the early detection, successful combating and prevention of wrongdoing, misbehavior and fraud.
23. During 2010 the backlog of investigations was significantly cleared. However, during 2011 delays in processing complaints and investigations have grown and this will need to be urgently addressed.

### *Evaluation*

24. During the last two years the Evaluation Section has focused its few resources on efforts on the establishment of a comprehensive institutional framework for the management of the independent evaluation function. This has been crucial step in order to ensure an effective evaluation process for undertaking independent evaluations and creating a common understanding of the evaluation function. For the years to come the Evaluation Section is focusing on the delivery of independent, credible and high quality evaluations. The Pilot Country Portfolio Kenya Evaluation will be the first evaluation along this line.
25. The promotion of a common evaluation culture that contributes to learning and accountability will continue to be a key focus of the Section; and the October 2011 Evaluation Seminar on Learning from Existing Evaluation Practices on the Impacts and Effects of Intellectual Property on Development is one of the activities contributing towards this aim.
26. In addition to the above, the Evaluation Section, through its various evaluations, will aim to identify what works to developing a balanced and accessible international IP system and that can be replicated and scaled up; and raise awareness of the independent evaluation function among WIPO staff and its stakeholders. The Evaluation Section will strive to make Evaluations accessible and useful to all key decision-makers by ensuring that they are as much as possible utilization focused, followed up and widely and actively disseminated among WIPO and external stakeholders.

## **VI. CONCLUSIONS**

27. It remains IAOD policy to focus first on all urgent and high risk internal audits, investigations and evaluations as the top priority. The procedural base for carrying out internal audits, investigations and evaluations was developed further during the reporting period and will

continue as deemed necessary. The full implementation of the new IOC will be possible with further increases in the number of staff.

28. Issues concerning IAOD staffing, and therefore impairment of operational independence and effectiveness are being addressed. I am thankful to the Director General for his efforts to provide more resources for IAOD. However, IAOD have not yet, at the date of this report, reached a sufficient number of staff to be able to carry out its mandate fully, effectively and be fit for purpose. The overall development and institution building of IAOD have continued slowly in the period under review. Some additional human resources for a strong and independent oversight department have been made available by the Director General in the period and further important and long-standing recruitments are underway and been given priority by the Director General. The strengthening of WIPO internal controls and improving business and governance processes remain a key focus for IAOD. Risk acceptance by senior management of fewer high-risk audits than are considered necessary by IAOD, is not yet acceptable. The resources made available for conducting investigations in a timely manner are not yet at adequate levels. Much fewer than desirable evaluation reports have been provided due to lack of staff.

29. The delivery by WIPO of high-quality services and activities which provide good value for money cannot yet be fully assured by IAOD with current levels of oversight staff. The proper performance, control, accountability and stewardship of WIPO is being improved by the Director General, but the full role of internal oversight in helping management to ensure this is not yet sufficiently in place. Internal Oversight still remains marginalized and lacking in status, staff and importance.

## **VII. LAST COMMENT**

30. This is my last report at the end of a challenging, stressful and shortened term of office. I am grateful to WIPO for giving me this opportunity to contribute to the rebuilding and development of such an important and worthwhile institution. However, as noted above, with more staff, independence and priority for oversight work this contribution would have been greater and more effective. To help my successor build on the progress made in the institution building of IAOD in the coming years I urge the Member States to implement the following changes to the IOC:

- Help improve the status of the Head of IAOD within the Organization by renaming the position as Inspector General.
- Fulfill the requirements of the original 2005 Internal Audit Charter and make the new Inspector General properly part of “senior staff” and be graded at the level of Assistant Director General;
- Allow the budget proposals of IAOD to be submitted directly to the Member States for consideration and approval;
- Allow the Head of IAOD to be the Chair of Recruitment and Selection Boards for IAOD staff and be able to submit recruitment proposals directly to the Director General for approval.

[Appendices follow]

## SUMMARY OF SIGNIFICANT RISKS AND OPERATIONAL EFFICIENCY ISSUES RAISED IN THE AUDIT REPORTS

1. In conformance with the IOC requirement (paragraph 26) a description of selected significant issues identified in the reporting period by Internal Audit are:

### *Operational Efficiency and Effectiveness*

2. Our review of Cooperation for Development Activities identified that the Cooperation for Development Sector, External Offices and WIPO Programs involved in development activities primarily operate separately and independently of each other. This *modus operandi* complicates communication and coordination processes. Coordination of annual work plans, cooperation in information sharing and the undertaking of development activities need to be improved to avoid duplication of efforts, overlapped roles and gaps in activities. An overall management review of the existing organizational structures, used to deliver development activities, would be helpful in order to more clearly define the roles and responsibilities of each WIPO unit to ensure consistency, coherence and good value for money in the delivery of development activities. (IA/07/10)

3. Specifically,

- Improvements are needed in strategic, operational, project and other more detailed planning areas;
- Roles, structure and mandates for Regional Bureaus, External Offices and other Programs.

4. Our review of Procurement Activities identified that WIPO has yet to develop an organization-wide procurement plan linked to the objectives of each program, to enhance the efficient and economic use of the Organization's financial resources. (IA/03/11)

5. Our Procurement review also identified that the Peoplesoft procurement module should be reviewed to streamline business processes and enhance internal controls, which currently are not yet optimally fit for purpose and do not make any distinction between small purchases or large scale procurement. This delays the procurement process and reduces its efficiency, especially for small value purchases.

6. Our review also found opportunities to improve controls for maintaining vendor information and we recommend that management updates the vendor master file with complete and accurate information and removes all duplicate vendor records from the system. Management should also avoid the use of the generic vendor account. (IA/03/11)

7. IAOD completed two reviews of WIPO Risk Register for the Construction Projects in the period. Overall, we found that the construction of the new administrative building was completed only marginally behind schedule without any significant deviations from the planned specifications. WIPO personnel have been transitioning to the new building since March 2011. While the contractor has reimbursed WIPO for the construction delay, in IAOD's opinion, there is a risk that the contractor may attempt to use lower quality materials to construct the New Conference Hall to offset the penalties incurred for construction delays.

8. IAOD has advised management to closely monitor the technical specifications of the materials used for the construction of the New Conference Hall to provide assurance that the contractor (who will be the same as well for the new building) completes the New Conference

Hall within the approved budget and that the construction quality and materials used conform to the agreed technical specifications. (IA/02/11)

9. The WIPO Academy audit highlighted that there is no review of personnel costs when planning training activities and management does not compare all relative costs of the training programs it provides. In addition, the Academy does not maintain a policy or business plan outlining criteria for allocating internal resources to its programs and has not defined targets for recovering its costs with course fees. As a result, the Academy's financial and human resources may not be optimally deployed and IP training may not be effectively channeled to provide value for money and optimal benefits. (IA/04/11)

10. We also noted that the Academy does not adequately monitor or document the progress of IP implementation activities in countries which have benefited from the Academy's Professional Development Program. As a result, the sustainable impact of the Academy's professional development training activities may not be fully or easily demonstrated. (IA/04/11)

11. In order for WIPO to get the maximum benefit from engaging consultants locally, a clear strategy at the organizational level and a concerted effort among WIPO programs are required to ensure that the best value for money is achieved. In this regard, a simple performance management system could be set up for monitoring and measuring the performance of consultants. (IA/05/2010)

### *Risk Management*

12. A very important element of WIPO's Strategic Alignment Program is the Internal Control initiative that includes a broader ERM program, which is being developed as a framework to support internal controls at WIPO. The ERM program sets out to identify the top risks at WIPO from a strategic management perspective and Program Managers have been asked to identify Program Specific risks and maintain them in a risk register. While we have not audited ERM specifically, several audits in the period conducted by IAOD have identified the following risk related issues:

- (i) The WIPO Risk Register for the Construction Projects has identified that the internal WIPO weaknesses stemming from lack of, or inadequate, coordination among WIPO divisions and services remain the main group of high-risks for successful construction projects (IA/02/11);
- (ii) The Procurement Risk Register should be updated to manage procurement-related risks appropriately (IA/03/11).

### *Management Information Systems*

13. In the absence of an integrated Management Information System (MIS), *ad-hoc* management reporting requirements for development activities have increased significantly over the last period and have created additional workload. Effective forward planning and information-sharing among WIPO Programs, together with well-defined reporting needs, would begin to cater for the absence of an integrated MIS. (IA/07/10)

14. The current management reporting on all major activities such as development activities and procurement is not yet adequate and is a time consuming process. Management information and generation of reports at WIPO need to be substantially improved. (IA/07/10 and IA/03/11)

### *Staffing/Training*

15. The Procurement and Travel Division (PTD) need to take on a more proactive role to train requisitioners and communicate better to obtain available vendor performance information. Also PTD's active involvement in the evaluation teams by providing feedback on the market and cost analysis will strengthen the procurement process and achieve the best value for money. (IA/03/11)

16. PTD staff need more specific training to further strengthen their technical skills and competencies in undertaking commercial negotiations, particularly for direct procurement, and performing cost and market analysis as well as sourcing strategies that would improve the outcome of future bidding exercises. (IA/03/11)

### *Logical Access*

17. Our audit of Treasury and Cash Management identified that logical access controls were found to be deficient for the designated electronic folder which temporarily stores approved payroll and third-party payment instructions before transmission to WIPO's partner banks, increasing the risk of unauthorized payments initiated by the staff that currently have access to the data (IA/06/10). Management is selecting alternative solutions to securely operate WIPO's electronic banking processes and plans to implement a replacement solution with appropriate controls during the course of 2011. IAOD encourages management to expedite implementation activities in this area.

### *Physical Access*

18. The Treasury and Cash Management Review also identified that physical access controls need to be substantially and urgently improved to restrict access to the computer room containing WIPO's electronic banking database (Office Wings) and Patent Cooperation Treaty (PCT) data. (IA/06/10)

### *Flexitime Control*

19. The Flexitime System does not prevent staff from recording presence at work on behalf of other colleagues as well as their own. As a result, the system is open to abuse and hence exposed to fraud risk. (IA/05/2011)

20. The Employee Access Control System (Interflex) does not fully prevent unauthorized staff from entering the restricted PCT envelope. In addition, management does not monitor access to the PCT envelope to ensure that all access is authorized and to determine whether irregular use of access cards is prevalent. (IA/05/2011)

[Appendix II follows]

## QUALITATIVE ANALYSIS OF OVERSIGHT RECOMMENDATIONS

### IAOD Recommendations

1. The largest source of outstanding recommendations originates from IAOD. IAOD have made 374<sup>1</sup> recommendations since 2007, of which 66% (247) are recorded as either fully implemented (236) or no longer applicable (11)<sup>2</sup>. Since 2007, IAOD have made 374 recommendations from audits, covering a wide range of programs. At the date of the report 127 recommendations (40%) have been recorded as not fully implemented by managers.

2. Figure 1 shows an analysis of Internal Audit's recommendations by program:

IAOD	Program number	Total recommendations made since 2007	Recommendations implemented	Recommendations no longer applicable	Recommendations in-progress
IAS	Program 01	1	1	0	0
IAS	Program 02	1	0	0	1
IAS	Program 05	6	5	0	1
IAS	Program 06	6	1	0	5
IAS	Program 07	11	10	0	1
IAS	Program 08	30	6	0	24
IAS	Program 09	4	4	0	0
IAS	Program 11	17	0	0	17
IAS	Program 21	4	3	0	1
IAS	Program 22	43	23	0	20
IAS	Program 23	9	3	0	6
IAS	Program 24	78	40	1	37
IAS	Program 25	127	113	8	6
IAS	Program 28	5	0	0	5
IAS	Program 29	30	27	0	3
IAS	Other	2	0	2	0
	Totals	374	236	11	127

Figure 1

3. Figure 2 indicates an aging analysis of IAOD recommendations:

Recommendations in-progress	Open 0-90 days	Open 91-180 days	Open > 181-360 days <sup>3</sup>	Open > 360 days <sup>4</sup>
128 <sup>5</sup>	86	0	12	30

Figure 2

4. Figure 3 details the 163<sup>6</sup> currently not fully implemented recommendations by year of creation.

<sup>1</sup> In addition, IAOD have issued 12 recommendations in three Evaluation reports between 2008 and 2010.

<sup>2</sup> The recommendations designated by managers as "not applicable" will be critically reviewed before the end of 2011 to establish if this is their true status.

<sup>3</sup> Recommendations open between 181 and 360 days relate to audits of the Revenue Generation Process for the WIPO Arbitration and Mediation Center (August, 2010) and Treasury and Cash Management (November, 2010).

<sup>4</sup> These recommendations primarily relate to audits of procurement, information technology and payroll.

<sup>5</sup> The 128 in-progress recommendations include one evaluation recommendation for providing specific assistance to Program Managers.

<sup>6</sup> The three open recommendations for 2005 relate to the Joint Inspection Unit report (Review of Management and Administration in WIPO: Budget, Oversight and Related Issues) and an outstanding Ernst & Young report. The JIU recommendations remaining are primarily Human Resources related issues.

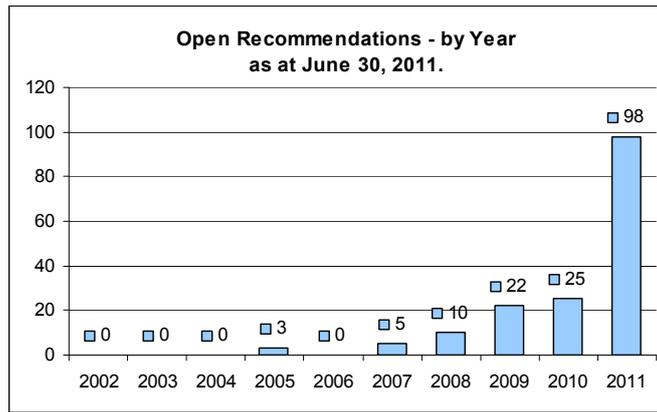


Figure 3

5. Figure 4 shows the open recommendations by Program:

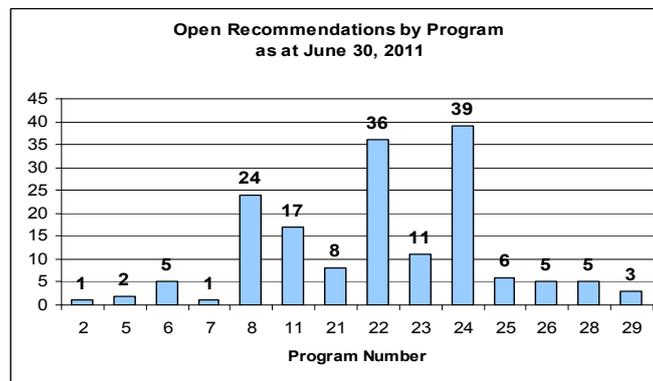


Figure 4

6. Figure 5 shows open recommendations by the source of the recommendation:

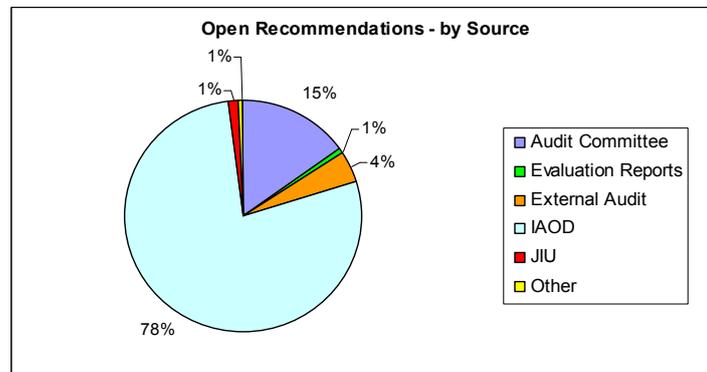


Figure 5

7. Since the IAOC began its work in 2006 they have made 235 recommendations. Currently, according to IAOD records, 11% (25) of recommendations are recorded by Program Managers as requiring some further work to implement them fully.

[Appendix III follows]

## **INVESTIGATION LESSONS LEARNT AND RECOMMENDATIONS**

Lessons learnt through investigations carried out in the reporting period have led to recommendations for improving internal controls, business systems and processes. Recommendations have been made to the Director General and other responsible Managers concerning:

### *Special Education Grants*

- Examining carefully the exact wording of Art. 3.11(c) related to the Special Education Grant in each claim submitted.
- In claims submitted by WIPO staff members, specific attention should be paid to Art. 12 of the Office Instruction 22/2007. There is also a requirement to ascertain if indeed the conditions as mentioned in Art 3.11(c) are fulfilled.
- In respect of Art 3.11(c) discussion, evaluation and eventual clarification by HRMD and the Office of Legal Counsel.

### *Medical Examinations*

- If a staff member - in view of receiving specific reimbursements from WIPO - submits a "medical expertise report" from an attending physician who declares that a dependant child is disabled, the Organization should consider a second opinion of an official UN physician (outside of WIPO).
- A medical re-examination of the dependant child every two years is recommended.

### *Role of outside institutions in the combating of fraud*

- WIPO as a potential victim of actions which are considered as committed criminal fraud abetted by outside institutions must, as part of the international community of organizations, inform the proper authorities (e.g. mandated judicial authorities in the area where the outside institution is located). This will protect fellow organizations against potentially becoming a victim of similar malicious practices.

### *Increased Communication in respect of Missions*

- If a staff member is going on a Mission at the request of, and paid for, his home country and authorized by WIPO, it would be of benefit that those WIPO internal sections such as Travel, HRMD and Security are informed, even if that staff member is undertaking the Mission whilst he/she is on annual leave.

### *Increased use of informal conflict resolution mechanisms*

- In cases of harassment it may be beneficial to all parties concerned not to turn to the Investigation Section before informal conflict resolution is even attempted. It is recommended that informal conflict resolution mechanisms be exhausted prior to a request for an investigation. In this respect it is anticipated that, at the preliminary evaluation stage prior to an investigation, if

mediation or other conflict resolution mechanisms has not been sought then, in the first instance, the case be referred to the Ombudsman.

*Streamline and simplify various internal WIPO processes*

- The complex and numerous grievance, appeal, review and disciplinary processes are very demanding of the organizations' resources and historically very slow. A streamlined internal process for many types of cases would provide a faster resolution for the staff member and prove less of a burden for the Organization. At present, a single case can be heard by numerous different panels, duplicating the time and effort expended by the Organization.

*Raising integrity standards*

- Updated training on the standards of professional and personal conduct of all staff should be provided, as a reminder to existing staff, and as an introduction for new staff joining WIPO as to what is acceptable behavior.

[Appendix IV follows]

## INVESTIGATION STATISTICS

1. As at the end of the reporting period and from March 2008 (when the Investigation Section was established) to date, IAOD have registered a total of 67 investigation complaints, with 54 of these cases now closed.

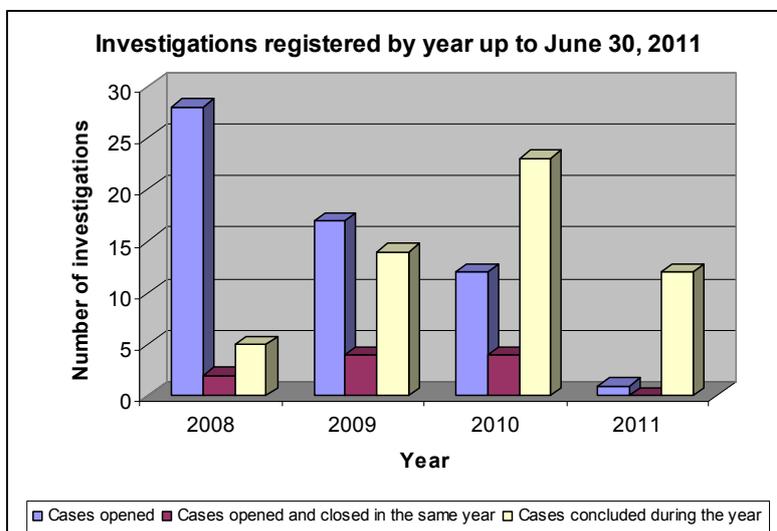


Figure 1: Investigations registered by year

2. As at June 30, 2011, the Investigation Section had six active investigations underway, with preliminary evaluations being undertaken for an additional six complaints. One case from 2008 was “close pending”.

3. As a year-on year guide to the changing nature of the complaints, indicators below depict an increase or decrease in percentage of total overall complaint type from June 2010:

Type of complaint	
Abuse of Authority	↓
Defamation	↔
Fraud (all types)	↑
Harassment (all types)	↓
HRMD - recruitment issues	↑
InterFlex/Access Control/ Flexitime	↔
IT Content Irregularities	↑
IT Security Violations	↓
Miscellaneous	↑

4. As can be seen below, the largest group to initiate investigations dealt with by IAOD is WIPO staff members. Most complaints from staff have not been substantiated. However,

several complaints from whistleblowers have led to full investigations and recommendations to the Director General for consideration of disciplinary actions.

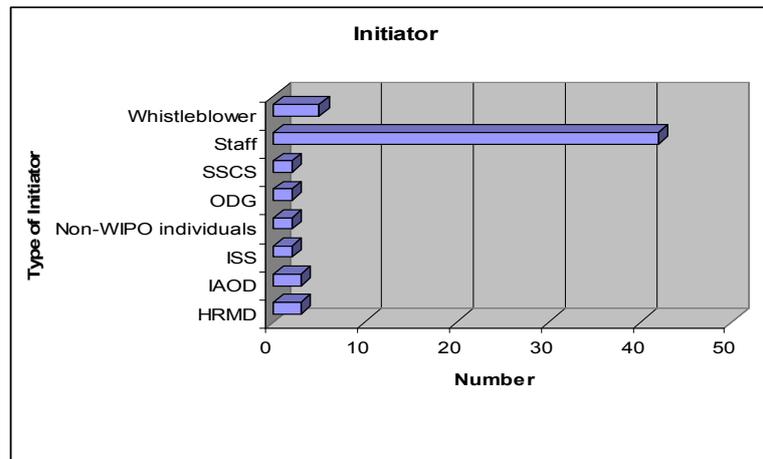


Figure 3

5. For cases registered in 2010, the average elapsed time for completion of an investigation case from recording to reporting was some 120 days. Of the 27 cases concluded in the reporting period, the nature of the cases closed can be seen in the following figure 4:

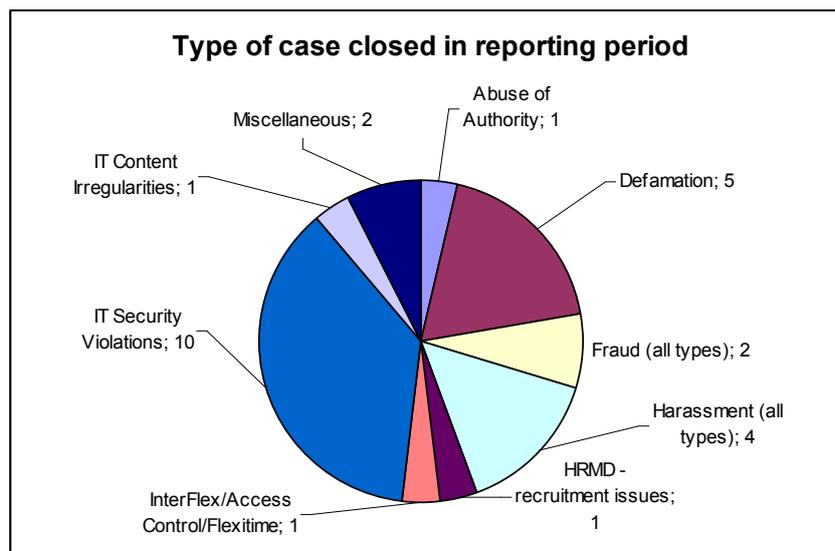


Figure 4

6. The outcome of the closed cases in the reporting period is as follows in Figure 5 below:

Outcome	Count
Allegation not substantiated (*)	21
Allegation substantiated	1
Allegation substantiated but staff member retired	1
Noncompliance with good practice but no misconduct	1
Preliminary Evaluation determined no investigation required	3
<b>Total</b>	<b>27</b>

Figure 5

7. In terms of the 54 cases which have been closed overall out of the 67 registered, the outcome of the closed cases can be seen in Figure 6 below:

Outcome	Count
Administrative resolution	1
Allegation not substantiated (*)	30
Allegation substantiated	11
Complaint falls outside IAOD mandate	1
Complaint withdrawn	2
Noncompliance with good practice but no misconduct	1
Preliminary Evaluation determined no investigation required	8
<b>Total</b>	<b>54</b>

Figure 6

(\*) This largely relates to cases involving specific allegations of information security incidents concerning work stations dating from 2008, which following extensive forensic and other investigation work, were not able to be proven. The staff member who made the allegations was dismissed from the organization in 2009.

*Investigation results*

8. Of the 11 cases since 2008 where allegations were substantiated through investigation, seven staff members received charge letters approved by the Director General, two staff members had retired and therefore were not charged, one staff member resigned and one case is currently under consideration for charging. Of the seven staff members who received charge letters; two staff members have been dismissed by the Director General and one staff member has been subject to disciplinary action. The remaining four cases staff members face significant charges and their cases currently remain to proceed fully through the internal administration of justice system. The investigation reports for these four cases are dated April 2009, February 2010, March 2010 and June 2011.

[Appendix V follows]

## EVALUATION SECTION LESSONS LEARNT AND RECOMMENDATIONS

This section of the report provides, in summary form, the key findings, conclusions and recommendations that have been identified through the various exercises undertaken by the Evaluation Section during the reporting period. The key issues identified were as follows:

### *Financial Information*

- (i) WIPO has been providing various services to its various Member States, since its early days through its various meetings, projects, missions, presentations in countries, etc. However, when the Evaluation Section was preparing the Terms of Reference of the Country Portfolio Evaluations, there was no financial information available of the development investments made by country/country expenditure. Therefore, IAOD recommended tracking expenditures by countries and beneficiaries in order to reduce existing risk that implies having a weak financial management system.
- (ii) No reliable service cost calculations: overall WIPO does not always include the internal human resources cost as part of the costing of services. For instance, when calculating the costs of a mission in a country, it is not only the daily subsistence allowance (DSA) and airfare costs that should be calculated but also the cost of the WIPO technical experts undertaking the mission. Overall, when looking at the costing of some activities, the budget seemed to be of little relevance but these did not reflect the real costs since internal human resources costs were not always included. IAOD recommend to improve current costing calculations based on the real cost of activities in order to reduce the existing financial management risk.

### *Internal Records*

- (i) Performance indicators are often severely limited by the absence of recording and reporting mechanisms which would enable relevant data to be more easily accessed and more efficiently collected, preferably in "real time".
- (ii) In 2010, it was not possible to receive a full set of data on the various activities undertaken by WIPO between 2005 and 2009. There is the Program Performance Report but this does not replace the records that any organization should keep, like for instance: records of missions undertaken by country during a period of time, records of meetings are mostly incomplete, records of services delivered to countries and requests received from countries. Although most services are delivered on a demand-driven basis, it was not possible to receive records of who are the requesting clients and its respective requests. IAOD recommend developing a WIPO Internal Records Policy in order to reduce the existing compliance and operational risk.

### *Planning*

- (i) Priority setting strategies are not yet a common program management practice within the Organization, reducing the effectiveness and efficiency of Programs and having implications on the allocation of limited resources. Existing program management practices and workload management would benefit from introducing priority setting strategies as part of the planning process, specially taking into account the increasing demand for WIPO's services/clients request by limited resources.

(ii) The development of stronger objectives, results and indicators will benefit from the inclusion of specific expectations of Member States, customers and stakeholders about what progress and success they would like to see over the two year period. The performance framework needs to become less complex, more focused on key business priorities and extensive. A “balanced scorecard” approach may be appropriate at the corporate level.

(iii) There were extensive data limitations in many expected results and performance indicators. This meant that they could not be properly validated. Closely connected with this finding are the responses that revealed that just less than two-thirds of the Managers interviewed felt that they did not significantly “own” the performance measures, which had mostly been inherited from predecessors or agreed at a higher level. These findings of lack of ownership and of relevance and value largely inform the main conclusions and recommendations for future action. A closer involvement of program teams in the development of performance measures on a collaborative basis will ensure a more sustainable level of “ownership”, even when changes are subsequently made at the management level.

(iv) More challenging, smarter and ambitious objectives, results and targets can be considered when assumptions and predictions of risk are incorporated into the planning process. This is especially important for the major risks identified which may prevent achievement of the nine strategic objectives.

(v) Data quality will improve most when the objectives, results and indicators contained in the Biennium Program and Budget Document are fewer, better and useful for more routine for internal business management and monitoring purposes by senior and other Managers.

### *Monitoring*

(i) The reporting of progress against expected results and performance indicators on a quarterly basis will help to improve and refine performance measures, as it becomes increasingly evident which ones are meaningful and valuable for routine, internal monitoring purposes. This may pose practical problems given the complexity of the current performance framework. As results and indicators are utilized more regularly, it will become clearer how they can be better differentiated so that they are relevant for monitoring at different levels: by strategic objective for the Director General and SMT; by Member States through the Program Performance Reports; and, also again, in relation to the higher, strategic goals.

(ii) At some point, the shifting emphasis being placed on the reporting of progress against outcomes and results, rather than inputs and activities, might usefully be supported by the incorporation of a simple, analytical monitoring tool in the quarterly reports that provides a “snapshot” of progress being made against specific targets, possibly on an exceptional basis.

(iii) In line with the commitments to customer service contained in the Strategic Realignment Program, Programs which want to use customer feedback as a measure of the quality of service provided will be better supported by the cross-program coordination and commissioning of surveys and other mechanisms. Measures relating to feedback are too frequently undermined by the absence of systems and resources to collect data at an individual program level.

### *Reporting*

(i) Care needs to be taken that the Traffic Light System (introduced by IAOD for the 2006-2007 PPR) does not influence planning and reporting in a “perverse” and “unforeseen” way, by putting too much emphasis on “greening” the Program Performance Report, with the result that lower levels of full achievement against “soft” targets are prized above partial, yet more valuable achievements, measured against more demanding objectives and targets.

*Information Management System*

(i) Non existing shared information management system: although each department has a shared drive for keeping electronically information, information is not always archived in the shared drives. Furthermore, the shared drives are not accessible among departments. While it is necessary that offices like Human Resources, Oversight or Ombudsman offices do keep their electronically information confidential, these should not be the case for the technical programs. During the consultation, it was nearly impossible to get access to relevant information for preparing the Terms of Reference of the Country Portfolio Evaluations. Information Management issues have been highlighted as well in the Review of the Program Performance Report issued in 2008.

Other constraints identified by the Evaluation Section were in the areas of coordination, knowledge sharing and coherence.

[Appendix VI follows]

IAOC Recommendations Issued to IAOD (July 2010-June 2011) with Comments					
	Recommendation Description	IAOC Report	Comments on Status	Status	Risk
1	The Administration and Management Sector and IAOD should work closely together to finalize the long awaited database so that an update of the status of oversight recommendations can finally be made with only the most relevant outstanding recommendations being given priority for implementation.	Seventeenth Meeting July 2010	IAOD has developed an Excel Spreadsheet so that the follow up of outstanding recommendations can be done in an effective and timely manner with the high importance recommendations being given priority by managers for prompt implementation. The long term solution would be to develop a web application where program managers could update the database of outstanding recommendations on-line on the intranet and IAOD are in discussions with UNDP on the possible use of their data base solution.	Completed	Low
2	Procedures for the implementation of the provisions of Office Instruction 16/2010 should be put in place and communicated to the Committee at its nineteenth meeting.	Seventeenth Meeting July 2010	IAOD agrees that the detailed procedures for the implementation of the provisions of the Office Instruction need to be drawn up by the Management that would assist program managers as to how to effectively follow-up outstanding recommendations and that could also determine the administrative measures in the event of failure of implementation of recommendations by the accountable program managers.	Completed	Low
3	Consideration should be given to the implementation of the accountability framework, including possible sanctions, for managers who fail to implement the provisions of Office Instruction 16/2010.	Seventeenth Meeting July 2010	IAOD agrees that the detailed procedures for the implementation of the provisions of the Office Instruction need to be drawn up by the Management that would assist program managers as to how to effectively follow-up outstanding recommendations and that could also determine the administrative measures in the event of failure of implementation of recommendations by the accountable program managers.	Completed	Low
4	The Investigation Manual should be issued as soon as possible to ensure that investigators comply with a published methodology and procedures.	Seventeenth Meeting July 2010	The Investigation Procedure Manual was issued by means of an all-staff email on August 5, 2010, with an accompanying memo from the Director. The IAOC were requested to provide comments. The Director, IAOD and the Head of the Investigation Section will ensure that investigators follow the Manual.	Completed	Low
5	All investigations should be conducted under the direct responsibility of IAOD and strictly adhere to published procedures.	Seventeenth Meeting July 2010	All investigations into matters which come under the mandate of the IAOD are conducted under the supervision of the Director IAOD in accordance with the Internal Audit Charter and the Investigation Procedure Manual. In addition, prior to the development of the Manual, all investigations carried out by IAOD were also conducted in accordance with the Uniform Guidelines for Investigations (2003 and then 2009).	Completed	Low
6	A review of the Investigation Policy and Manual should be conducted, in consultation with the Staff Council, initially every year to determine whether adjustments are required.	Seventeenth Meeting July 2010	The Investigation Procedure Manual will be reviewed periodically when appropriate. The Policy will be reviewed at least every three years	Completed	Low
7	Detailed information on investigations should be included in an annual report on the administration of justice in the Secretariat as recommended by the Committee in paragraph 33 above [of WO/AC/17/2].	Seventeenth Meeting July 2010	The Investigation Section Annual Activity Report (January 2010) containing detailed information on investigations (bearing in mind confidentiality constraints) is published on the Investigation page of IAOD's Intranet homepage. The management of the administration of justice system is the responsibility of the DG.	Completed	Moderate

	Recommendation Description	IAOC Report	Comments on Status	Status	Risk
8	All staff interviewed by investigators should be given a copy of the interview report for validation.	Seventeenth Meeting July 2010	The Investigation Procedure Manual requires all staff who are interviewed as 'subjects' of an investigation and who are subsequently charged with misconduct, will be given a copy of the IAOD investigation report. Witnesses including the complainant are not entitled to see or be given a copy of the report together with all supporting evidence by the Director General. In circumstances where an interview is formally recorded by IAOD, staff will be provided with a copy of the recorded interview. It would be normal practice for witnesses to sign statements collected from them.	Completed	Moderate
9	In view of differences noted in paragraph 11 above, and in accordance with professional standards recommendations, the IAOD annual plan should take into account input from senior management on risk perceptions and be discussed with the Committee before being submitted for approval.	Twenty First Meeting June 2011	IAOD does consult senior management prior to or during audits to solicit input for future audit coverage in their particular areas of responsibility. IAOD believes that it fulfills the objectives stated in IIA practice advisories PA 2110-1 and PA 2110-2 on an ongoing basis. IAOD points out the Oversight Charter instructs the Director to be independent in preparing and executing his work plans, while incorporating work requests from WIPO's Director General, which is current practice. IAOD seeks comments from the IAOC for all its plans and risk assessments.	Completed	Moderate
10	A risk-based approach should be adopted at WIPO for oversight recommendations with follow up on implementation of recommendations considered to be of high risk to the Organization.	Twenty First Meeting June 2011	IAOD performs verification work during subsequent audits as has been demonstrated in areas including information systems and procurement activities. We also review the recommendations made by our External Auditors and agree on the implementation status of these. Resource constraints currently prevent us from undertaking a full follow-up verification audit of oversight recommendations from all sources. In addition, at WIPO, IAOD has determined that there are significant areas of the business which remain un-audited and we consider these areas a higher priority than verifying the status of recommendations to address previously-identified control issues. This fully complies with practice advisory PA 2500 A1.	Completed	Low
11	Following discussions with Management, preferably at the WIPO ICT Board level IAOD should provide the Committee with an update on its Internal Audit Report IA/03/2010 "Follow Up Audit of IT Security and Access Controls", to include clarification on all outstanding information security related assurance activities.	Twenty First Meeting June 2011	IAOD has held initial meetings with the CIO and Head of Information Security. IAOD is assessing management's assertions for all IT and IS related recommendations as requested by the chair of the IAOC in her letter to the Director, IAOD dated June 7, 2011. IAOD already have access to ICT Board papers.	In progress	High
12	Internal audit reports should continue to be presented to the Committee in an ongoing manner, and should always contain senior management responses to the recommendations in the report.	Twenty First Meeting June 2011	At the suggestion of the External Auditor IAOD has introduced a mechanism to provide management at least a three week time frame to provide comments on draft Internal Audit reports. Management comments are always included in Internal Audit reports when provided. Only one Internal Audit report (Review of Treasury and Cash Management, issued in November 2010) included no management comments because management failed to provide them despite being granted extensions to the deadline.	Completed	Low
13	The IAOD results framework should cover the various areas falling within IAOD's terms of reference i.e., management audits and inspections.	Twenty First Meeting June 2011	As explained in our Charter, IAOD's internal audit focus remains primarily on reviewing WIPO's internal control mechanisms and control-related issues. Many management and performance issues are included in nearly all Internal Audit reports and also in Evaluation reports. Given IAOD's resource constraints and priorities, we plan to focus on evaluations as a priority over inspections at WIPO. IAOD has only done one inspection - Review of the WIPO Integrity and Ethics System in 2008.	Completed	Low

[Appendix VII follows]

ACCRONYMS

AC.....	Audit Committee
ACL.....	Audit Command Language
CPE.....	Country Portfolio Evaluation
DSA.....	Daily Subsistence Allowance
ERM.....	Enterprise Risk Management
ERP.....	Enterprise Resource Planning
HRMD.....	Human Resources Management Department
IAOC.....	Internal Advisory and Oversight Committee
IAOD.....	Internal Audit and Oversight Division
ICSC.....	International Civil Service Commission
IIA.....	Institute of Internal Auditors
ILO.....	International Labor Organization
IOC.....	Internal Oversight Charter
IPSAS.....	Internal Public Sector Accounting Standards
IT.....	Information Technology
ITU.....	International Telecommunication Union
JIU.....	UN Joint Inspection Unit
MIS.....	Management Information System
OIOS.....	Office of Internal Oversight Services
OLC.....	Office of the Legal Counsel
PCT.....	Patent Cooperation Treaty
PTD.....	Procurement and Travel Division
RIAS.....	Representatives of Internal Audit Services
SMT.....	Senior Management Team
UN.....	United Nations
UNEG.....	UN Evaluation Group
WMO.....	World Meteorological Organization

[End of Appendix VII and of document]