

WIPO



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PROGRAM AND BUDGET COMMITTEE

Eleventh session

Geneva, June 25–28, 2007

ACCOUNTS FOR THE 2004-2005 BIENNIUM

Memorandum by the Director General

1. The accounts of the International Bureau for the 2004-2005 biennium are included in the *2004-2005 Financial Management Report* (document FMR/2004-2005). Copies of this report were sent, on July 31, 2006, to each Member State of WIPO, the Paris Union or Berne Union.
2. The accounts were audited by the auditor appointed by the General Assembly: the Government of the Swiss Confederation, which entrusted the mandate to the Director of the Swiss Federal Audit Office. The *Auditor's Report on the WIPO Accounts for the 2004-2005 biennium* was forwarded, on July 31, 2006, to each Member State of WIPO, the Paris Union or Berne Union, together with the *2004-2005 Financial Management Report*.
3. The conclusion of the Auditor's Report was as follows:

“100. As a result of the work done, I am able to issue the audit opinion annexed to this report and drawn up in conformity with paragraph 5 of the Terms of Reference Governing Audit (annexed to the WIPO Financial Regulations).”
4. The audit opinion in question is worded as follows:

“In my opinion, the financial statements give a satisfactory account, on all essential points, of the financial position on December 31, 2005, and of the results of

operations and movements of funds for the financial period ending on that date, in accordance with the specified accounting policies of WIPO which are set forth in the Notes on the 2004-2005 Financial Management Report, and which have been applied in a manner consistent with the previous accounting period.

“In addition, it is my opinion that the WIPO operations that I checked by sampling in the course of my audit were on all essential points consistent with the Financial Regulations and the authority given by the deliberative bodies of the Organization.

“Pursuant to paragraph 6 of the Terms of Reference Governing Audit annexed to the WIPO Financial Regulations, I have also drawn up a detailed report on my auditing of the financial statements of WIPO, which is dated June 21, 2006.”

5. In the above-mentioned detailed report, the Auditor makes the following recommendations:

“The revised budget for the 2004-2005 biennium was not approved *ad hoc*, but rather alongside the 2006-2007 budget during the 41st series of meetings, held in Geneva from September 26 to October 5, 2005 (paragraph 194(i) of document A/41/17).

“Recommendation No. 1: In my opinion, the revised budget should be specifically approved. Indeed, paragraph 194 (i) of document A/41/17 states ‘... approved the Proposed Program and Budget for 2006-2007, as per document A/41/4,’ but without making any reference to the revised 2004-2005 budget.”

6. Before the External Auditor made this recommendation, the Secretariat had submitted a proposal to the Member States concerning a new mechanism to involve the Member States more closely in the preparation and monitoring of the Organization’s program and budget. The new mechanism, which was adopted by the Assemblies of the Member States of WIPO at their September-October 2006 session, provides for the submission to the Program and Budget Committee (PBC), in the years when a budget is submitted, of a revised budget for the biennium for the purposes of its examination and the formulation of a recommendation to the General Assembly. The PBC’s examination of the revised budget for the 2006/07 biennium is included in the draft agenda of the eleventh session of the PBC (June 25 to 28, 2007).

7. In paragraphs 8 to 12 of his detailed report, concerning the “Internal Audit”, the Auditor makes the following recommendation:

“Recommendation No. 2: I invite WIPO to ensure that the Internal Audit and Oversight Division complies with the Internal Audit Charter and that in the future, it undertakes all internal oversight duties (audits, investigations, inspections, assessments and monitoring), rather than concentrating primarily on program supervision and assessment functions.”

8. A Director of the Internal Audit and Oversight Division was appointed in January 2007. Staff are currently being allocated to this Division and a Senior Internal Auditor will take up his duties in May 2007. Two additional posts are provided for in the revised budget for the 2006/07 biennium. Other recruitments are in progress, which will help to provide resources

to implement fully the Audit Charter and a new assessment policy, once such a policy has been finalized in the course of the year. These measures are priorities for WIPO.

9. In paragraph 47 of his detailed report, concerning “advances”, the Auditor writes:

“47. There is a significant delay in the processing and settlement of IOVs. As of mid-May 2006, US\$0.5 million of 2005 expenditure remained outstanding and the IOVs for 2006 had not yet been processed.

“Recommendation No. 3: According to the justification principle, expenses paid on behalf of WIPO by the UNDP Resident Representatives for which IOVs have been received should be accounted for on the basis of the actual expenditure rather than the associated unpaid commitments. Moreover, I believe that immediate measures should be taken to clear the observed backlog of 2006 IOVs to be processed.”

10. The Secretariat has taken all possible measures to reduce the delay in the processing of *Inter-Office Vouchers* (IOVs) for 2006 and to avoid any delay in the processing of IOVs for 2007. It should be recalled, however, that it is totally dependent on the delay and on the information provided by the United Nations Development Programme (UNDP), which issues these IOVs.

11. In paragraph 48 of his detailed report, concerning “Sundry Debtors”, the Auditor writes:

“48. The Administration of the United States of America has not yet effected the reimbursement to WIPO of direct taxes amounting to 1,743,860.67 francs relating to the years 1999 to 2005, entered on the assets side of the balance sheet under “Sundry Debtors”. Furthermore, the American Administration has effected some reimbursements without supplying details (taxpayers concerned and taxation years). A request for confirmation of the sums outstanding and details of the sums involved has been sent to the authorities responsible for this matter. To date, no information has reached me.

“Recommendation No. 4: I invite the WIPO Secretariat to continue taking all appropriate steps to ensure the swift payment by the Administration of the United States of America of the sums due.”

12. The Secretariat has taken all the necessary measures to settle the amounts owed by the Government of the United States of America quickly. On October 18, 2006, a sum of US\$530,324 was received by WIPO; on October 26, 2006, a sum of US\$245,435 was demanded by WIPO for taxes for the year 2006. As of December 31, 2006, the amount remaining due was US\$1,085,726.62, i.e., 1,324,586.48 Swiss francs.

13. In paragraph 57 of his detailed report, concerning the “Reserve Funds”, the Auditor makes the following recommendation:

“Recommendation No. 5: Despite improvements at the end of the period under review, I consider that the status of the Reserve Funds remains unsatisfactory. In my opinion, Reserve Fund levels should correspond to six months’ expenditure, i.e. a burn rate of 25 per cent. Moreover, bearing in mind the future application of the new

IPSAS¹, planned for around 2010, I encourage WIPO to continue taking all appropriate action with a view to maintaining budgetary balance on the one hand, and on the other hand, increasing the levels of the Reserve Funds in such a way as to allow them, should the need arise, to perform the function for which they were constituted.”

14. The Secretariat invited the Member States to give their opinion on this recommendation in the questionnaire submitted to them in October 2006, as part of the preparations undertaken to draw up the proposed Program and Budget for the 2008/09 biennium. The question of the level of reserves was then dealt with in the Outline for the Program and Budget for the 2008/09 biennium, produced by the Director General, which were presented at the informal PBC session held in December 2006 (pages 13 and 14 of document WO/PBC/IM/3/06/3). During this session, the External Auditor was invited to explain the reasons for the recommendation to increase the level of reserves to 25 per cent of the expenditure included in the budget for the biennium. Proposals relating to the level of reserves referred to are being produced by the Secretariat as part of the proposed Program and Budget for the 2008/09 biennium. It should also be noted that, at the end of December 2006, the actual level of reserves was 163 million Swiss francs, i.e., 67.4 million Swiss francs above the level of 18 per cent of the initial budget for 2006/07 (95.6 million Swiss francs) and 30.2 million Swiss francs above the level of 25 per cent of the initial budget for 2006/07.

15. In paragraph 67 of his detailed report, concerning “Funds-in-Trust (FIT)”, the Auditor makes the following recommendation:

“Recommendation No. 6: The funds-in-trust have sufficient liquid assets available to pay their own expenses. I believe that if payment of these expenses were to continue to be made from WIPO liquid funds, the bridging accounts should be settled monthly. Another solution could be for each fund to make a cash advance to WIPO.”

16. The Auditor’s recommendation was followed and each fund has made a cash advance to WIPO.

17. The WIPO Program and Budget Committee is invited

(i) to examine the 2004-2005 Financial Management Report (document FMR/2004-2005) and the content of this document, and

(ii) to recommend to the Assemblies of the Member States of WIPO the approval of the 2004-2005 Financial Management Report (document FMR/2004-2005).

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¹ *International Public Sector Accounting Standards*