

## **Program and Budget Committee**

### **Nineteenth Session Geneva, September 10 to 14, 2012**

#### **FINANCIAL SUPERVISION AUDIT BY THE EXTERNAL AUDITOR ON THE CONSTRUCTION PROJECTS AND THE BUILDING SECURITY PROJECT**

*Document prepared by the Secretariat*

1. In accordance with Article 11(10) of the Convention Establishing the World Intellectual Property Organization (WIPO), the designated external auditors, the Swiss Federal Audit Office, have established at the end of 2011, a “Financial supervision audit relating to construction projects and buildings security measures”, dated December 22, 2011, which is enclosed in the Appendix to this document.

2. The External Auditor noted that all three recommendations he had made in his previous report (see document WO/PBC/15/13 dated June 30, 2010) had been satisfactorily implemented by the Secretariat. He did not make any new recommendation as a result of his 2011 audit.

3. *The Program and Budget Committee is invited to recommend to the WIPO General Assembly to take note of the contents of this document.*

[Appendix follows]

*[English translation prepared by WIPO]*

REPORT OF THE EXTERNAL AUDITOR

SWISS FEDERAL AUDIT OFFICE

# **WORLD INTELLECTUAL PROPERTY ORGANIZATION**

Financial supervision audit relating to construction  
projects and building security measures

December 22, 2011

## **SWISS FEDERAL AUDIT OFFICE**

*The mandate of external auditor of the World Intellectual Property Organization (WIPO) must be carried out by a member of the highest authority of public financial auditing of the selected country and it is assigned on an individual basis. On the strength of this provision and further to the WIPO General Assembly and the Assemblies of the Paris, Berne, Madrid, Hague, Nice, Lisbon, Locarno, IPC, PCT and Vienna Unions, the mandate of the Swiss Government as auditor of the accounts of WIPO and the Unions administered by WIPO, as well as the accounts of technical assistance projects carried out by the Organization, has been renewed up to and including 2011. The Government of the Swiss Confederation entrusted me, as Director of the Swiss Federal Audit Office ("my Office"), with the auditing of the accounts of WIPO.*

*My terms of reference are specified in Article 6.2 of the WIPO Financial Regulations and further defined in the Terms of Reference Governing Audit annexed to those Regulations. I carry out my duties autonomously and independently, with the help of colleagues from my Office.*

*My Office carries out external audits of the accounts of WIPO in a completely independent manner from its role as the supreme organ of financial supervision of the Swiss Confederation. My Office employs a highly qualified team of professionals with broad experience of audits in international organizations.*

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## External Auditor's Report

### **WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)**

#### Financial supervision audit relating to construction projects and building security measures

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Berne, December 22, 2011

Reg. no. 1.11352.944.00330.02  
modi/pfju

## AUDIT SUMMARY

The financial supervision audit of the WIPO construction work has produced good overall results. As the final accounts for the new building were still pending at the time of the scheduled audit, and given that my mandate as external auditor for WIPO ends on June 30, 2012, it falls to me to provide the Member States with a final status update concerning these important WIPO projects, namely the new administrative building, the new conference hall and the project relating to the safety and security of existing WIPO buildings. This report may provide the basis for either an audit of the pending final accounts or future audits of WIPO construction projects.

The three recommendations made in my previous report have been implemented. The Construction Committee, the Project Pilot and the Internal Project Monitoring Team have facilitated the efficient management of the projects. The control procedure has been implemented and the projects have been duly documented, including all the decisions of the Construction Committee. The delays to the construction work on the new administrative building have been documented and substantiated. The terms of the agreement provide for a penalty of CHF 2,225 million, to be paid by the General Contractor. This amount seems reasonable, given the additional work commissioned by WIPO and the absence of resulting costs for the Organization, which was able to return the leased building on schedule. The experience gained should facilitate the further optimization of measures to monitor construction work and the future management of new construction projects.

## REGULATIONS, STANDARDS AND INFORMATION

### Financial regulations and the subject of the audit

1. In addition to the relevant provisions of the various Conventions, and those of the WIPO Financial Regulations and Rules, which entered into force on January 1, 2008 and were amended on October 1, 2009, the examinations of the construction projects, which are the subject of this report, consisted of a financial supervision audit in line with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI)<sup>1</sup>. These audit standards specify that "... auditing of the public sector includes regularity and performance audit ..." and that "... performance audit is concerned with the audit of economy, efficiency and effectiveness ...".
2. On the occasion of the completion of the construction of the new administrative building, and following the audit performed in 2009<sup>2</sup>, as well as earlier audits

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<sup>1</sup> The International Organisation of Supreme Audit Institutions

<sup>2</sup> Report 9045 "Evaluation Report of the External Auditor on the New Administrative Building and Additional Storage Construction Project – Follow-up to the 2008 Audit"

relating to this project, I have instructed two qualified colleagues from the Federal Audit Office to conduct an audit, at the headquarters of the International Bureau in Geneva, of the final accounts for the new administrative building.

3. Although the building has already been brought into operation, and the move has taken place, delays to the construction project and the handover of the work have prevented the drafting of final accounts which I could audit. Given that my mandate as WIPO's External Auditor ends on June 30, 2012, it now falls to me, for the last time, to provide the Member States with an update of the status of this matter, which is important to WIPO.
4. I therefore asked my audit team to carry out an interim audit as of June 30, 2011, of the construction projects relating to the new administrative building, the new conference hall and the safety and security measures for existing WIPO buildings. This analysis covered several timeframes between June and August 2011.
5. The report also takes stock of changes that have taken place since my last audit, and the implementation of my previous recommendations. The report could provide the basis for an audit of the final accounts, or future audits relating to WIPO construction projects.
6. I would like to repeat the statement I made in my previous report<sup>3</sup>, namely that "the conditions have been satisfied in order to allow normal advancement of the construction phase and that the different participants have the project well in hand". As a result, the organization of the project was not verified or queried by my colleagues during this audit. However, they did examine the failure to comply with the initial project plans and the calculation of the penalty charge, even though the delays to the construction of the administrative building had been duly documented and substantiated in the documents placed at their disposal.

### **Auditing standards, information and acknowledgements**

7. The audits were carried out in accordance with the International Standards on Auditing (ISA) published by IAASB (ISA – 2010 Edition)<sup>4</sup>, and in line with the additional terms of reference included in the WIPO Financial Regulations and Rules.
8. Minor issues which were clarified and discussed with the competent officials during the auditing process are not included in this report.
9. Other required improvements were brought to the attention of Finance Services during the final discussions which took place on December 12, 2011. Recommendations were made at that time and were subsequently approved. I have not reproduced in this report the points concerned or the related proposals for improvements in order to draw the attention of Member States only to the recommendations which I regard as essential.
10. Where audits were carried out using random sampling methods, my colleagues selected the samples based on risk, or the relative size of the figures recorded under the headings examined.

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<sup>3</sup> Report 9045 „Evaluation Report of the External Auditor on the New Administrative Building and Additional Storage Construction Project – Follow-up to the 2008 Audit“

<sup>4</sup> "International Standards on Auditing (ISA) 2010 edition" published by IAASB (International Auditing and Assurance Standards Board).

11. I wish to express thanks for the obliging manner in which information and documents were supplied by all the WIPO staff approached by us. In the course of the auditing work, my colleagues had regular discussions with, Ms. Boutillon, Director of the Premises Infrastructure Division and Secretary of the Construction Committee, Mr. Vitry of the Expenditures Section in Finance Services, Mr. Favero, Consultant and Coordinator of the Internal Project Monitoring Team, Premises Infrastructure Division, and Mr. Efendioglu, from Internal Audit, as well as other WIPO services.

## **FOLLOW-UP OF RECOMMENDATIONS FROM PREVIOUS REPORTS**

12. The three recommendations made in my previous audit, listed below, have all been effectively followed up and may be considered as having been implemented. Their follow-up has been addressed in various relevant chapters of this report.
  - Recommendation No. 1: Ensure that the assistance to be introduced for the Internal Team Coordinator is able to monitor and reconcile the cost control with the Pilot and WIPO Finance Services, and that the coordination of internal WIPO activities linked to the new building project is guaranteed
  - Recommendation No. 2: The Construction Committee shall ensure that the use of the provision for “Miscellaneous and unforeseen” complies with the definition given in my previous report.
  - Recommendation No. 3: Mention in the cost control all the available amounts and ensure that their use complies with the definition given. Each request for these amounts must be duly documented.
13. Other recommendations<sup>5</sup> relating to real estate made in previous audits, and which may be considered as having been implemented, or in the process of being implemented, are not addressed in this report.

## **GENERAL INFORMATION ON CONSTRUCTION PROJECTS**

### **The projects have been duly documented**

14. The observations and analyses contained in this report are based not only on various interviews with WIPO staff members, but also on the full documentation prepared by the Secretariat of the Construction Committee, which was submitted

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<sup>5</sup> Recommendations Nos. 1 and 3, made in the report of July 5, 2010, on the audit of the accounts for 2008-2009 (report No. 10027), and also Recommendations Nos. 1 and 2, mentioned in the report of October 27, 2010 on the audit of the 2010 opening balance sheet following restatement according to IPSAS (report No. 10327).

at the beginning of the audit. The list of documentation submitted is contained in Annex 1 of this report.

15. As with previous audits, the documentation provided by the Secretariat of the Construction Committee enabled us to monitor properly all the tasks undertaken. Furthermore, the systematic editing of the minutes of the meetings led to the improved documentation of the activities of the Secretariat of the Construction Committee. It is worth noting that the introduction, in September 2008, into each set of minutes, of a summary of the decisions taken during the sessions, has made the reports much clearer.
16. All the minutes prepared by the Secretariat of the Construction Committee contained updated information on the status of the activities of the Committee, the status of financial obligations and payments and on the Construction Committee's risk register. The monthly reports prepared by the project Pilot and the General Contractor submitted to the Construction Committee as well as the internal memoranda prepared by the coordinator of the Internal Project Monitoring Team, on matters for the consideration of the Committee during its sessions, were also appended to the minutes.

#### **Brief reminder of decisions taken by the Member States**

17. It is worth recalling that, at their meeting on December 12, 2008, the Member States approved the following:
  - an updated and consolidated budget for the new construction project, amounting to CHF 145.7 million,
  - the utilization of the option to extend the bank loan (for the New Construction Project) within the contractual limit of CHF 16 million to finance the "Contingency Provision for Miscellaneous and Unforeseen" and the "Construction Phase Modifications",
  - the authorization to appropriate (for the New Construction Project) an amount of CHF 20 million, from the WIPO reserves,
  - the appropriation of CHF 4.2 million from the WIPO reserves, in 2009, to pay for the commissioning of a complete architectural and technical dossier for a new conference hall project, to be presented to the Member States for consideration and decision in September 2009, and
  - in order to upgrade the safety and security standards for existing buildings, the appropriation of CHF 7.6 million to be taken from the reserves (for the security project, also see item 54).
18. It should be noted that Switzerland, as the Host Country, had proposed a contribution to the funding amounting to CHF 2 million for the security project. At the end of 2008, the total security budget for existing WIPO buildings therefore amounted to CHF 9.6 million.
19. At the Assemblies of WIPO Member States, held from September 22 to October 1, 2009, the Member States also endorsed the following:
  - approval of the implementation of the proposed project to build a new conference hall,
  - approval of the total estimated cost of CHF 64.2 million, taking into account that the sum of CHF 4.2 million had already been approved in 2008,

- authorization to use, if and when necessary, a Provision for Miscellaneous and Unforeseen for an amount of CHF 4 million, and
  - approval for financing the remainder of the Project through an appropriation of CHF 24 million from WIPO reserves and a commercial loan of CHF 40 million.
20. At the Assemblies, held from September 20 to 29, 2010, the Member States took on board the various progress reports relating to the new administrative building, the new conference hall and the project to upgrade safety and security standards for existing buildings:
- The “WIPO Construction Projects Charter<sup>6</sup>” has been revised substantially to take into account certain conceptual changes, through the introduction of a clear distinction between the New Construction Project and the New Conference Hall Project. There have also been several updates to the Charter, with the addition of information relating to the new Senior Management Team, the introduction of IPSAS and the new Financial Regulations and Rules.
  - The WIPO Risk Register and the Pilot Risk Register continue to be updated on a monthly basis for the three projects.

#### **Adequate project organization**

21. In June 2009, an assistant was assigned to the Coordinator of the Internal Project Monitoring Team. She provides the Coordinator with the necessary support in order to guarantee the coordination of WIPO’s internal activities, monitoring functions and operational requirements. The support provided for cost control comes mainly from the assistant to the Secretary of the Construction Committee. There have been no other changes to my description of the project organization in paragraph 11 of my previous report<sup>7</sup>. As a result, Recommendation No 1 made in that report may be considered as having been implemented.

#### **Project monitoring is guaranteed**

22. For the three projects<sup>8</sup> under examination in this audit, the management and control of costs are based on existing structures. Management tools include the Project Charter, external management by the Project Pilot, internal management by the Construction Committee and the Internal Project Monitoring Team. Given the importance of these projects, the External Auditor has also submitted several audit reports over the last few years.
23. An audit of cost control measures has enabled me to confirm that all requests to release funds issued by the Internal Project Monitoring Team were approved by the Construction Committee and duly documented. As a result, Recommendation No. 3 in my previous report may be considered as having been implemented.

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<sup>6</sup> Charter for the construction projects of WIPO, v.09 (2010).

<sup>7</sup> Report 9045 “Evaluation Report of the External Auditor on the New Administrative Building and Additional Storage Construction Project – Follow-up to the 2008 Audit”.

<sup>8</sup> New administrative building construction and new conference hall projects, and the project relating to safety and security measures for existing WIPO buildings

24. For his part, the Internal Auditor has written two reports on these matters, the first in September 2010<sup>9</sup>, and the second in May 2011<sup>10</sup>. The aim of that audit was to review the risks linked to the construction projects. In accordance with an internal memorandum<sup>11</sup>, it should be noted that the majority of the recommendations made by the Internal Auditor were quickly implemented.

#### **The project risks were analyzed in a professional manner**

25. The Director of the Premises Infrastructure Division performs a risk assessment for each of the construction projects. The risks are divided up into the following areas: project management, general planning and monitoring of the work, conflicts and disputes, finances, political risks and technical risks. Each risk identified is assessed according to the probability of its occurrence and impact. Measures identified for each risk are followed up by designated officials. Steps are taken to ensure that information is traceable, and any modifications made are included in the table. As a management tool, this risk assessment facilitates the monitoring and proactive management of the respective construction projects. Internal risks are clearly identified, and correspond to my assessment.
26. In parallel to this analysis, the Pilot also carries out his own risk assessment, which is an integral part of each monthly report submitted by the Pilot to the Construction Committee.

#### **The information flows relating to the projects are functioning**

27. The flow of information is defined in the Construction Projects Charter and corresponds to the organizational system established. It is worth remembering that, in its capacity as a decision-making body, the Construction Committee generally meets once a month. During its weekly meetings, the WIPO Internal Project Monitoring Team takes upon itself to submit information to the Pilot, deals with pending questions and draws up memoranda addressed to the Construction Committee.
28. Within the framework of the examinations carried out, it could be said that Recommendation No. 2 from my previous report has been implemented. The Construction Committee and the Internal Project Monitoring Team have monitored, and continue to monitor, the proper application of the provision on "miscellaneous and unforeseen" items, thus respecting the definition provided. All decisions have been clearly documented and substantiated.

#### **Application of IPSAS standards**

29. The accounting treatments connected to the capitalization of the buildings must comply with IPSAS standards applied by WIPO. That issue was not addressed during this audit. However, it is essential to clearly define the rules and requirements of Finance Services, and thus ensure the submission of information. According to information available, a staff member will soon be appointed to support this service and participate in distributing the construction

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<sup>9</sup> INTERNAL AUDIT REPORT, Review of WIPO Risk Registers for the Construction Projects, September 1, 2010

<sup>10</sup> INTERNAL AUDIT REPORT, Review of WIPO Risk Registers for the Construction Projects, May 20, 2011

<sup>11</sup> Internal memorandum of May 27, 2011 from the Director of the Internal Audit and Oversight Division (IAOD) to the Director General

costs in line with the assessment criteria, which are identical for all WIPO buildings.

30. The capitalization of the new building, in line with the (partial) handover of the construction work, was due to take place on July 1, 2011. As agreed when the WIPO opening balance sheet was drawn up on January 1, 2010 — for the first time and in line with IPSAS standards — the expenditure relating to the architectural tender was not shown as an asset. However, the fees of the Pilot and the architect (who is a member of the Internal Project Monitoring Team) were to be incorporated, as well as interest accrued during the construction process, as they formed an integral part of the construction costs.

## **AUDIT OF THE NEW ADMINISTRATIVE BUILDING CONSTRUCTION PROJECT**

### **Project status update, as at June 30, 2011**

31. It has not been possible to keep to the initial work schedule planned by the General Contractor. There had been plans to hand over the work by October 8, 2010, but that date was pushed back to November 25, 2010. On that date, part of the project was handed over. Ultimately, the authorization for making the building operational was not given until mid-March 2011. This delay is explained by the additional work ordered by WIPO, the unscheduled work carried out, as well as delays to the execution of certain tasks. Furthermore, the three projects had to be managed simultaneously, which sometimes required initial decisions to be renewed and modifications to the implementation of the work.
32. In view of the accumulated delays, all payments to the General Contractor were blocked by the Pilot in November 2010. The main issues still pending at the end of August 2011 were the following:
  - facades and glass roof tops,
  - walkway S-1 between the new administrative building and the existing AB Building,
  - replacement of flooring in the cafeteria and other areas (gardens, reception area in atrium 1, etc.),
  - various work on sanitary facilities
33. All staff with offices located in the building which had been rented by WIPO, were moved. According to available information, the building was to be returned on August 31, 2011, in compliance with the initial deadline set.
34. In line with the terms of the contract<sup>12</sup> signed with the General Contractor (GC), a penalty of CHF 500,000 was initially set for the postponement of the handover of the work from October 8 to November 25, 2010. As this new deadline was not met either, the penalty charge was recalculated. The final figure amounted to

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<sup>12</sup> Contract No. PCD/06/083 of February 8, 2008

CHF 2,225 million. Although this figure was not analyzed in detail by my colleagues, it seems plausible to me. The penalty charge was negotiated on the basis of joint agreement between the interested parties.

### **The cost control of the revised financial envelope has been adequate**

35. As at June 30, 2011, the revised financial envelope, as approved on December 31, 2008, stood at CHF 161.74 million (including the supplementary budget of CHF 16 million). The amount committed stands at CHF 155.79 million for payments amounting to CHF 143.01 million (see Annex 2 of the report). The cost control table drawn up by the Internal Project Monitoring Team has been reconciled with Finance Services.
36. The interim assessment confirms it is unlikely that the project will go over budget, as CHF 4.87 million under the budget line "provisions and reserve funds" has yet to be committed.
37. An audit of the way in which the payment plan was adapted, in line with various addenda, and an audit of payments, conducted on the basis of accounting documents, have not yielded any specific comments.
38. Although the building is now operational, cost controls reveal that a sum of CHF 8.66 million remains to be paid. The amount held back enables WIPO to cover, among other costs, the work which has yet to be handed over, as well as expenditure relating to the calculated penalty charge.
39. As indicated during the audit of WIPO's opening IPSAS balance sheet and with reference to IPSAS 17, the penalty charge should not be viewed as an extraordinary item in terms of the 2011 financial year. The sum should be distributed in a practical manner, in order to reduce construction costs for the various parts of the building which will be shown as an asset.

## **AUDIT OF THE NEW CONFERENCE HALL PROJECT**

### **Status of project as at June 30, 2011**

40. On May 30, 2011, a contract was signed with the General Contractor, for a fixed sum of CHF 53,237 million for the construction of a new conference hall at WIPO. The work was awarded to the same General Contractor who had been appointed to construct the new administrative building, chosen by the Selection Board in February 2011, according to the same selection process as the one used in 2006 for the New Construction Project.
41. The project involves building a new conference hall, equipped with interpreting booths and adjoining facilities, as well as work to adapt the existing main (AB) building. Under the terms of the contract, WIPO has the option to ask the General Contractor to build an access center along the chemin des Colombettes. This option can only be implemented once the General Contractor has received confirmation from WIPO.
42. WIPO has viewed it necessary to ask the General Constructor to undertake certain preliminary infrastructure work during the construction of the new administrative building, consisting of preliminary excavation work linked to the construction of a bored pile retaining wall (at a cost of CHF 247,951.85). The

contract stipulates that the General Contractor agrees to undertake the preliminary work, without any reservations, enabling them to undertake, without any reservations, work related to the new conference hall.

43. The General Contractor must respect the following deadlines: work must begin on August 15, 2011, the work must be handed over (except for the access center) by April 26, 2013, and the access center work must be handed over by April 26 2013, provided that WIPO has confirmed its decision by March 30, 2012 at the latest. The contractual penalties for delays have been set at CHF 10,000 per calendar day.
44. Given that the General Contractor's offer for work on the access center exceeded the approved budget by around 60 per cent, WIPO decided, in order to guarantee unit prices as much as possible, to include this work as a reserve option, subject to confirmation with the General Contractor by March 30, 2012 at the latest, whereby the confirmation included the possibility of submitting a revised project for the access center to the General Contractor. WIPO also had the option of drawing up a new project, which would be subject to a new offer. An ad hoc steering group was set up to that end, namely to study the options for cutting costs, to be discussed in September 2011.
45. It should be noted that both the members of the General Contractor's top management and the future team responsible for implementing the work on site have changed. WIPO, especially the Project Pilot and the Internal Project Monitoring Team, will work to ensure that the Organization is more strict and proactive in monitoring the construction work. The planning and handover deadlines for the work continue to be updated as the work schedule progresses. The organization and assignment of responsibilities, in terms of both management and cost control, remain the same as for the previous project.

#### **Revised financial envelope and cost control**

46. As at June 30, 2011, for the financial envelope of CHF 68.2 million (approved on October 1, 2009), CHF 62.87 million was committed and CHF 7.18 million was paid out. Provisions for miscellaneous and unforeseen costs stood at CHF 4 million (see annex 2 of the report).
47. The construction work started on August 15, 2011, as foreseen in the contract provisions. Even at the start of work on the project, the cost control (not including the access center) revealed that costs exceeded the financial envelope. On October 5, 2011, at the Secretariat's suggestion (document WO/PBC/18/10, presented as document A/49/12), the Assemblies approved (document A/49/18 Prov.) a revised financial envelope. As a result, at the time of drafting this audit report, the financial envelope for the construction work (including the access center) had been updated with the approval of the Member States, and the project no longer "exceeded the financial envelope".
48. Work costing CHF 51.25 million had already been committed by WIPO. That figure corresponded to the fixed net approximate offer contained in the contract signed with the General Contractor (CHF 53,237 million) minus the CHF 2,250,751 (for fitting out the outside of the building and the sanitary facilities) which had already been committed within the framework of the new administrative building project, and was increased by CHF 261,002 (for the preparatory work).

49. The random sample audit of the account records relating to architects' fees did not reveal any specific problems.

## **ANALYSIS OF THE PROJECT RELATING TO THE EXTERNAL SAFETY AND SECURITY OF WIPO BUILDINGS**

### **Status of project as at June 30, 2011**

50. The project to strengthen safety and security standards in the buildings belonging to WIPO is in line with efforts to implement the recommendations of the United Nations Security Management System, and involves upgrading of the United Nations Headquarters Minimum Operational Security Standards (UN H-MOSS).
51. Following an unfavorable preliminary opinion issued by the competent services in the Host Country, the Federal Police Service (FEDPOL) and the WIPO Safety and Security Coordination Service modified the security perimeter terms of reference, and a new project was drawn up during the summer of 2010.
52. On June 9, 2011, an additional building permit was requested for the security perimeter.
53. The security perimeter for the new administrative building and the future conference hall is wholly funded by WIPO, and the costs are therefore an integral part of those projects.
54. Switzerland, in its role as Host Country, initially offered to contribute to the funding of the perimeter fence to the tune of CHF 2 million. The federal authorities, in agreement with the competent cantonal authorities, decided to increase this sum to CHF 5 million<sup>13</sup>. The total cost of the security measures relating to existing buildings therefore stands at CHF 12.6 million, of which CHF 7.6 million comes from WIPO funds.
55. The cost control performed on June 30, 2011 revealed, for an updated budget of CHF 12.5 million, CHF 1.5 million worth of engagements and CHF 0.84 million in payments.
56. The organizational structure for security measures relating to the construction projects remains the same as that established for the two projects analyzed in this report.

### **Joint management of the building work**

57. The Foundation for Buildings for International Organizations (Fondation des Immeubles pour les Organisations Internationales - FIPOI) and WIPO jointly signed a memorandum of understanding<sup>14</sup> that FIPOI would manage the construction work in cooperation with WIPO.

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<sup>13</sup> Letter of August 27, 2009 from the Swiss Permanent Mission to the United Nations Office and other international organizations in Geneva.

<sup>14</sup> Memorandum of understanding signed on June 21, 2011

### **Cost control, remaining residual risks**

58. The audit by means of sampling of the accounting records relating to architects' fees did not reveal any specific problems.
59. The costs relating to security measures for the new buildings (the administrative building and the new conference hall) are not included in this project. The current situation implies a risk in terms of the distribution of costs between the existing buildings and the new constructions. The Internal Project Monitoring Team should therefore be rigorous in monitoring the distribution of these costs, to be approved by the Construction Committee. In practice, the table monitoring financial obligations relating to external and internal security measures, which shows the distribution of funding between the three budgets (existing buildings, New Construction Project and New Conference Hall Project) is presented regularly to the Construction Committee, and all requests for the utilization of funds related to these issues must be specifically submitted in the form of the usual memorandum by the Coordinator of the Internal Project Monitoring Team. Only the Construction Committee has the power to approve such requests when they concern the budgets of the projects relating to the new construction and new conference hall.
60. According to interviews held and on the basis of the memorandum of understanding between FIPOI and WIPO, I can confirm that clear rules have been set. As a result of the decision to centralize the implementation and management of the work at FIPOI, the risk of problems such as double payments or poor allocation of costs has been eliminated. All invoices are validated by FIPOI. FIPOI frees up payments from the share it funds directly. Invoices relating to work funded by WIPO are also reviewed by FIPOI and then sent to WIPO for further validation and payment.
61. The Safety and Security Coordination Service works closely together with the Internal Project Monitoring Team. All areas affected by security measures are clearly identified, which facilitates the correct assignment of costs according to pre-defined internal criteria.
62. IPSAS processes should still be analyzed to determine whether the expenditure is to be shown as an asset or not. To date, expenditure related to security measures has been viewed as a maintenance cost and therefore not been shown as an asset. In view of the added value to the construction project provided by these measures as part of the project, I work on the basis of the principle that they will be an integral part of the value of the buildings and should therefore be classed as an asset and amortized.

### **CONCLUSION**

63. WIPO has taken all the necessary organizational and monitoring measures to manage the projects relating to the new building, the new conference hall and the safety and security measures for the existing buildings. The three recommendations made in my previous audit have all been implemented. The different results obtained relating to the various audit objectives set for this exercise have not revealed any major problems, and neither have the random

sampling audits for the three projects. WIPO could use its experiences to further optimize the management of the new conference hall construction project.

64. As indicated in the introduction, this report aims to take stock of the status of the project as at June 30, 2011. It should therefore allow the country next appointed to the role of External Auditor of WIPO accounts to perform a cost control exercise on the basis of the final accounts, and to plan future audits within the field of construction, given that this type of review falls within the scope of its audit strategy.

[signed]  
K. Grüter  
Director of the Federal Audit Office  
of the Swiss Confederation  
(Auditor)

Annex 1 to 1.11352.944.00330.02

### **List of documentation submitted by WIPO**

#### **Documents submitted to External Auditor – May 30, 2011**

- Charter for the new WIPO construction project ; version v.09 (2010)

#### Construction Committee Reports :

- Session 2008/06 June 23, 2008
- Session 2008/07 July 17, 2008
- Session 2008/08 September 8, 2008
- Session 2008/09 October 27, 2008
- Session 2008/10 October 29, 2008
- Session 2008/11 November 25, 2008
- Session 2008/12 December 19, 2008
- Session 2009/01 January 20, 2009
- Session 2009/02 February 20 and 27, 2009
- Session 2009/03 March 11, 2009
- Session 2009/04 April 7, 2009
- Session 2009/05 April 23, 2009
- Session 2009/06 May 15, 2009
- Session 2009/07 June 3, 2009
- Session 2009/08 June 19, 2009
- Session 2009/09 June 26, 2009
- Session 2009/10 July 24, 2009
- Session 2009/11 September 4, 2009
- Session 2009/12 October 7, 2009
- Session 2009/13 November 4, 2009
- Session 2009/14 December 8, 2009
- Session 2009/15 December 15, 2009
- Session 2010/01 February 9, 2010
- Session 2010/02 February 16, 2010
- Session 2010/03 March 17, 2010
- Session 2010/04 April 29, 2010
- Session 2010/05 June 10, 2010
- Session 2010/06 June 17, 2010
- Session 2010/07 July 13, 2010
- Session 2010/08 September 7, 2010
- Session 2010/09 October 6, 2010
- Session 2010/10 November 3, 2010
- Session 2010/11 December 10, 2010
- Session 2011/01 January 25, 2011
- Session 2011/02 February 17, 2011
- Session 2011/03 April 1, 2011

Other documents :

- WIPO Risk Register; March 31, 2011
- Architect's brochure; New Conference Hall Project
- WO/PBC/13/6(c); Program and Budget Committee; Proposal for a New Conference Hall; December 10-11, 2008
- A/46/6(c); Assemblies of Member States of WIPO; Proposal for a New Conference Hall; December 12, 2008
- A/46/12; Assemblies of Member States of WIPO; excerpt from General Report
- WO/PBC/14/10; Program and Budget Committee; Detailed project proposal relating to Phase II of the Proposal for a New Conference Hall; September 14-16, 2009
- A/47/12; Assemblies of Member States of WIPO; Detailed project proposal relating to Phase II of the Proposal for a New Conference Hall; September 22 to October 1, 2009
- A/47/16; Assemblies of Member States of WIPO; Excerpt from General Report; September 22 to October 1, 2009
- WO/PBC/15/20; Program and Budget Committee; Progress Report on the New Conference Hall Project; September 1 to 3, 2010
- A/48/2; Assemblies of Member States of WIPO; Progress Report on the New Conference Hall Project; September 20 to 29, 2010

**Additional list of documents submitted to the External Auditor - May 31, 2011:**

- Copy of the contract with the General Contractor for the New Conference Hall Project
- WIPO risk register (Update No. 34, April 30, 2011) (full version and extract)
- External Auditor's report: "Interim audit of the new administrative building and additional storage construction project– Follow-up to 2008 audit" and observations from the WIPO Secretariat.
- Documents WO/GA/39/3 (September 2010) and WO/PBC/15/13 (September 2010)

**List of documents submitted to the External Auditor - August 10, 2011:**

- Construction Committee Report, session 2011/04 of May 4, 2011.
- Memorandum dated May 31, 2011, entitled 'Summary of decisions' - Construction Committee session 2011/05 (May 24, 2011).
- Memorandum dated June 23, 2011, entitled 'Summary of decisions' - Construction Committee session 2011/06 (June 21, 2011).
- Memorandum dated July 20, 2011, entitled 'Summary of decisions' - Construction Committee session 2011/07 (July 13, 2011).
- Document WO/PBC/18/9 (July 15, 2011), entitled 'Progress Report on the New Construction Project'
- Document WO/PBC/18/10 (July 15, 2011), entitled 'Progress Report and Proposal on the New Conference Hall Project'

# OMPI - NOUVELLE CONSTRUCTION

# ANNEXE 2

## TABLEAU BUDGET ET COÛTS REVISES

Date: 30.06.2011

page 1

CFC DESCRIPTION	Enveloppe financière APPROUVEE
Date contrôle des coûts OMPi	
Contrôle des coûts OMPi mis à jour le	
Situation des paiements OMPi au	
Date du rapport d'Audit	
Approbation des Etats membres	12/12/08

Enveloppe financière révisée 2009
31/12/08
05/06/09
17/08/09

Montants payés 2008	Montants payés 2009	Montants payés 2011
30/06/08	31/05/09	30/06/11

### CONSTRUCTION ET MAITRE D'OUVRAGE

COÛTS DE CONSTRUCTION (CFC 1 à 5)		117,768,338
Coûts de construction travaux préparatoires		1,228,988
Total coûts de construction bâtiment		116,539,350
<b>SOUS-TOTAL CONSTRUCTION</b>		<b>117,768,338</b>
FRAIS MAITRE D'OUVRAGE (CFC 1, 2, 3, 4, 5, 9)		27,974,305
1	Travaux préparatoires	305,356
2	Bâtiment	872,000
3	Equipements d'exploitation	2,021,200
33	Installations électriques	1,538,200
	<i>Fourniture central téléphonique et terminaux</i>	768,200
	<i>Centre informatique (sans éléments actifs)</i>	643,000
	<i>Aménagements niveau-4 et rez salles de réunions</i>	127,000
	<i>Aménagement niveau-4</i>	27,000
	<i>Aménagements rez salles de réunions</i>	100,000
	<i>IP Téléphonie (budget central TT)</i>	588,200
34	Chauffage, ventilation, air conditionné	350,000
35	Installations sanitaires	30,000
36	Aménagements intérieurs 1	103,000
4	Aménagements extérieurs	19,819
5	Frais secondaires	24,225,930
51	Autorisations, taxes	1,459,426
52	Echantillons, reproductions, maquettes	1,427,219
53	Assurances	39,470
56	Autres frais	993,708
59	Honoraires	20,306,107
	Honoraires mandataires	18,415,473
	<i>Architecte</i>	9,296,000
	<i>Sous-traitants architecte</i>	2,559,310
	<i>Ingénieurs civils</i>	3,149,530
	<i>Ingénieurs électricité</i>	1,630,800
	<i>Ingénieurs CVC</i>	1,076,700
	<i>Ingénieur sanitaire</i>	637,209
	<i>Honoraires géomètre pour cadastration</i>	30,000
	<i>Planification circulation</i>	26,404
	<i>Gestion déchets chantier</i>	7,020
	<i>Analyses pins</i>	2,500
	Honoraires modifications de projet	1,346,577
	<i>Honoraires complémentaires divers</i>	846,577
	<i>Honoraires travaux complémentaires MO</i>	500,000
	<i>Data center</i>	659,536
	<i>Aménagement niveau-4</i>	214,000
	<i>Aménagements rez salles de réunions</i>	80,000
	<i>IP Téléphonie</i>	180,000
	Honoraires divers	
	Audit	544,057
9	Ameublements	530,000
<b>SOUS-TOTAL MAITRE D'OUVRAGE</b>		<b>27,974,305</b>
<b>TOTAL CONSTRUCTION ET MAITRE D'OUVRAGE</b>		<b>145,742,643</b>

117,768,338
1,228,988
116,539,350
<b>117,768,338</b>
27,974,305
305,356
872,000
1,841,200
1,358,200
643,000
27,000
100,000
588,200
350,000
30,000
103,000
19,819
24,225,930
1,459,426
1,427,219
39,470
993,708
20,486,107
18,179,814
9,142,223
2,531,624
3,123,074
1,567,897
1,121,573
627,500
30,000
26,403
7,020
2,500
1,762,236
628,700
659,536
214,000
80,000
180,000
544,057
530,000
<b>27,974,305</b>
<b>145,742,643</b>

26,993,540	57,295,612	109,084,165
1,228,988	1,228,988	1,228,988
25,764,552	56,066,624	107,855,177
<b>1,228,988</b>	<b>57,295,612</b>	<b>109,084,165</b>
12,257,162	15,198,743	24,959,181
90,389	90,389	90,389
		1,498,690
		1,653,038
		1,220,038
		643,000
		27,000
		550,038
		300,000
		30,000
		103,000
7,555	7,555	7,555
12,159,219	15,100,799	21,303,500
670,356	670,656	686,507
321,745	492,624	969,229
29,400	29,400	29,400
483,026	492,046	702,893
10,654,691	13,416,073	18,915,471
	12,785,416	17,254,942
	7,032,948	8,797,484
	2,026,890	2,436,815
	1,617,933	2,923,417
	959,649	1,449,730
	676,573	1,005,073
	435,500	606,500
	26,403	26,403
	7,020	7,020
	2,500	2,500
	166,600	1,101,182
	145,600	546,243
		192,423
		196,016
	21,000	166,500
		95,290
	464,057	464,057
		406,009
<b>12,257,162</b>	<b>15,198,743</b>	<b>24,959,181</b>
<b>13,486,151</b>	<b>72,494,355</b>	<b>134,043,346</b>

### BUDGET COMPLEMENTAIRE

8	Provisions, réserve	16,000,000
881	Provision pour modification pendant l'exécution	8,113,740
	Data center (montants complémentaires)	2,524,713
	<i>Travaux</i>	2,524,713
	<i>Honoraires mandataires</i>	prévus dans CFC 59
	Mesures additionnelles de sécurité	4,456,500
	<i>Travaux</i>	3,713,750
	<i>Périphérie (cloture du site)</i>	2,694,250
	<i>Equipements intérieurs</i>	1,019,500
	<i>Honoraires mandataires</i>	742,750
	Aménagement niveau -4 (montants complémentaires)	1,132,527
	<i>Travaux</i>	1,132,527
	<i>Honoraires mandataires</i>	prévus dans CFC 59
883	Provision pour divers et imprévus	7,886,260
		7,227,913
	Aménagement niveau -4 (montants complémentaires)	658,347
<b>TOTAL avec BUDGET COMPLEMENTAIRE</b>		<b>161,742,643</b>

16,000,000
8,113,740
2,524,713
2,524,713
prévus dans CFC 59
4,456,500
3,713,750
2,694,250
1,019,500
742,750
1,132,527
1,132,527
prévus dans CFC 59
7,886,260
7,227,913
658,347
<b>161,742,643</b>

5,700	8,967,422
5,700	5,766,283
	2,334,000
	2,334,000
5,700	2,299,756
	1,729,558
5,700	570,198
	1,132,527
	1,132,527
	3,201,139
	2,648,642
	552,497
<b>13,486,151</b>	<b>72,500,055</b>
	<b>143,010,768</b>

OMPI - NOUVELLE CONSTRUCTION  
TABLEAU BUDGET ET COUTS REVISES

CFC DESCRIPTION	Programmes et budgets 2006 - 2010	Programmes et budgets 2006 - 2011	Montants payés 2008 30/06/08	Montants payés 2009 31/05/09	Montants payés 2011 30/06/11
Situation des paiements OMPI au					

PROGRAMMES ET BUDGETS BIENNAUX

Programmes et budgets biennaux	10,781,000	12,686,648	1,098,767	2,711,757	9,711,117
02 Travaux de construction		500,000			497,529
54 Intérêts intercalaires durant 26 mois (2008-2009-2010) pour un emprunt de 113'580'000 CHF	6,891,000				
Intérêts et frais bancaires sur le prêt de 130'000'000 CHF (prêt initial 114 mio. CHF et complémentaire 16 mio. CHF)		7,874,551	40,000	215,325	5,135,852
55 Frais administratifs du Maître d'ouvrage (salaires consultants, frais jury, etc.)	1,440,000	1,723,678	1,058,767	1,201,717	1,562,232
56 Prestations du Pilote: honoraires et frais	2,450,000	2,588,419		1,294,715	2,515,504
<i>frais</i>	<i>100,000</i>	<i>135,169</i>		<i>46,465</i>	<i>132,904</i>
<i>honoraires</i>	<i>2,350,000</i>	<i>2,453,250</i>	<i>688,355</i>	<i>1,248,250</i>	<i>2,382,600</i>
<b>TOTAL avec BUDGET COMPLEMENTAIRE ET PROGRAMMES ET BUDGETS BIENNAUX</b>	<b>172,523,643</b>	<b>174,429,291</b>	<b>14,584,918</b>	<b>75,211,812</b>	<b>152,721,885</b>

COÛTS PROJET INITIAL

Coûts projet initial	25,832,053	25,832,053	25,832,056	25,832,056	25,832,056
0 Terrain: achat parcelle (1998)	13,554,124	13,554,124	13,554,125	13,554,125	13,554,125
01 Acquisition terrain et frais	13,554,124	13,554,124	13,554,125	13,554,125	13,554,125
5 Frais de concours (1999)	1,693,788	1,693,788	1,693,789	1,693,789	1,693,789
50 Frais de concours	1,693,788	1,693,788	1,693,789	1,693,789	1,693,789
Coûts perdus liés au projet initial (2000-2004)	10,584,141	10,584,141	10,584,142	10,584,142	10,584,142
Coûts perdus liés au projet initial	10,584,141	10,584,141	10,584,142	10,584,142	10,584,142
<b>TOTAL avec COÛTS PROJET INITIAL</b>	<b>198,355,696</b>	<b>200,261,344</b>	<b>40,416,973</b>	<b>101,043,868</b>	<b>178,553,940</b>

# OMPI - NOUVELLE SALLE DE CONFERENCE

## ANNEXE 3

### TABLEAU BUDGET ET COUTS REVISES

page 1

Date: 30.06.2011

CFC DESCRIPTION	Enveloppe financière APPROUVEE projet phase 1	Enveloppe financière APPROUVEE projet phases 1 et 2	Montants payés 2009	Montants payés 2011
Situation des paiements OMPI au			31/05/09	30/06/11
Approbation des Etats membres	12/12/08	01/10/09		

### CONSTRUCTION ET MAITRE D'OUVRAGE

COUTS DE CONSTRUCTION (CFC 1 à 5)		50,300,000		
Total coûts de construction bâtiment		50,300,000		247,952
<b>SOUS-TOTAL CONSTRUCTION</b>	<b>0</b>	<b>50,300,000</b>		<b>247,952</b>
<b>FRAIS MAITRE D'OUVRAGE (CFC 1, 2, 3, 4, 5, 9)</b>	<b>4,200,000</b>	<b>13,900,000</b>	<b>748,500</b>	<b>6,936,500</b>
1 Travaux préparatoires				44,687
2 Bâtiment				14,584
3 Equipements d'exploitation				
4 Aménagements extérieurs				
5 Frais secondaires	4,200,000	13,900,000	748,500	6,877,229
51 Autorisations, taxes		320,000		50,986
52 Echantillons, reproductions, maquettes	280,000	1,070,000	36,315	329,167
53 Assurances		30,000		
56 Autres frais	120,000	1,420,000	0	430,281
560 Autres frais secondaires		370,000		37,081
561 Honoraires et frais du pilote	120,000	1,050,000		393,200
59 Honoraires	3,800,000	11,060,000	712,185	6,066,795
Architecte				3,310,416
Sous-traitants architecte				707,983
Ingénieurs civils				1,203,261
Ingénieurs électricité				451,500
Ingénieurs CVC				221,346
Ingénieur sanitaire				126,650
Honoraires géomètre				
Honoraires spécialistes				21,986
Honoraires divers				23,652
<b>SOUS-TOTAL MAITRE D'OUVRAGE</b>	<b>4,200,000</b>	<b>13,900,000</b>	<b>748,500</b>	<b>6,936,500</b>
<b>TOTAL CONSTRUCTION ET MAITRE D'OUVRAGE</b>	<b>4,200,000</b>	<b>64,200,000</b>	<b>748,500</b>	<b>7,184,452</b>

### BUDGET COMPLEMENTAIRE

8 Provisions, réserve		4,000,000	0	0
883 Provision pour divers et imprévus		4,000,000		
<b>TOTAL avec BUDGET COMPLEMENTAIRE</b>	<b>4,200,000</b>	<b>68,200,000</b>	<b>748,500</b>	<b>7,184,452</b>

CFC DESCRIPTION	Programmes et budgets 2010 - 2013	Montants payés 2011
Situation des paiements OMPI au		30/06/11

### PROGRAMMES ET BUDGETS BIENNAUX

Programmes et budgets biennaux	809,486	38,152
54 Intérêts et frais bancaires sur le prêt de 40'000'000 CHF (aucun tirage prévu avant 2014)		
55 Frais administratifs du Maître d'ouvrage (salaires consultants, frais jury, etc.)	809,486	38,152
<b>TOTAL avec BUDGET COMPLEMENTAIRE ET PROGRAMMES ET BUDGETS 2010-2013</b>	<b>69,009,486</b>	<b>7,222,603</b>

[End of Appendix and of document]