

## **Program and Budget Committee**

**Twenty-First Session**  
**Geneva, September 9 to 13, 2013**

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

*prepared by the Secretariat*

1. In accordance with paragraph 25 of the Internal Oversight Charter, the Director, Internal Audit and Oversight Division (IAOD), shall present a status report in writing to the Program and Budget Committee. The Director, IAOD report is enclosed in the annex. The report provides information on IAOD's main activities between July 1, 2012 and June 30, 2013.

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

[Summary Annual Report by Director, IAOD follows]

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## ACRONYMS

CLD.....	Conference and Language Department
HOIA .....	Head of Internal Audit Services
HR.....	Human Resources
HRMD .....	Human Resources Management Department
IAOC .....	Independent Advisory Oversight Committee
IAOD .....	Internal Audit and Oversight Division
IIA .....	Institute of Internal Auditors
IOC.....	Internal Oversight Charter
IT.....	Information Technology
JGP .....	Joint Grievance Panel
NCH .....	New Conference Hall
PCT.....	Patent Cooperation Treaty
PMSDS .....	Performance Management and Staff Development System
RIAS.....	Representatives of Internal Audit Services
SMT .....	Senior Management Team
UN.....	United Nations
UNEG.....	UN Evaluation Group
UNHIG .....	United Nations Head of Investigation Group

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

July 1, 2012 to June 30, 2013

### **1. 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 (IOC).

2. The WIPO IOC requires the Director of IAOD to present a Summary Annual Report to the Independent Advisory Oversight Committee (IAOC) with a copy to the Director General and the External Auditor, 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 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 presents a status report on annual work plans in writing to the Program and Budget Committee (PBC).

### **2. PLANNING, STANDARDS AND NORMS**

3. The activities of IAOD include internal audit and evaluation of WIPO's control systems and business processes. IAOD monitors and assesses the adequacy and effectiveness of WIPO's control environment, and effective and efficient use of resources. IAOD also investigates allegations involving waste, fraud and mismanagement, or other breaches of WIPO rules and regulations.

4. For its audit activities, IAOD adheres to the International Professional Practices Framework promulgated by the Institute of Internal Auditors (IIA). The Practices Framework includes the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, Practice Advisories, Position Papers and Practice Guides. The IIA Standards provide principle-focused, mandatory requirements for the conduct of internal auditing at both the organizational and individual auditor levels. Other guidelines, such as those promulgated by the Information Systems Audit and Control Association, are utilized in connection with Information Technology (IT) audits. Similarly, in conducting investigative work, IAOD is guided by the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators in 2009. Evaluation follows international standards in evaluation practice as set out by the United Nations Evaluation Group (UNEG).

5. In accordance with the IOC, in developing its plan, IAOD considered the following factors: risk assessment, relevance, country impact, oversight cycle, comments made by WIPO management and comments made by Member States. IAOD also factored in its available resources.

6. IAOD has developed a risk assessment methodology which is based on the IIA guidance as well as generally accepted good practice adopted for such exercises. IAOD used its risk assessment methodology<sup>1</sup> to determine the level of audit coverage necessary for the 2012 and 2013 biennium.

7. IAOD also makes a concerted effort to develop oversight priorities that are consistent with WIPO's policy and program priorities to the extent that these are contained in public documents and/or are communicated to IAOD. IAOD keeps abreast of general policy orientation through the review of strategic and operational documents, such as those of the General Assembly, the Program and Budget, Standing Committees, as well as revisions to Staff Regulations and Rules, and other programming and planning documents. Moreover, the Director, IAOD or his alternates participate in both regular and *ad hoc* senior management meetings of the Director General. Through these processes, IAOD gains awareness of program priorities and overall objectives of the Organization.

8. In preparing its plan, IAOD also took into consideration the work done by other assurance providers such as the External Auditor, the Joint Inspection Unit (JIU) or evaluations commissioned by the Committee on Development and Intellectual Property (CDIP). Coordinating with other oversight bodies allows IAOD to ensure proper oversight coverage as well as avoid "oversight fatigue" in areas facing duplication of oversight, avoiding repetition of internal and external audit and evaluation for example.

9. In line with the IOC, IAOD took into account, during the whole planning process, the comments from Member States, the IAOC, the Director General and management.

10. Finally, IAOD made all efforts to complete investigations in a timely manner without compromising quality. As in previous years, one priority was to deal with the backlog of cases. Much success has been achieved in this respect during the reporting period, as described in the section on "Investigative Activities". This should allow IAOD to undertake more proactive work in the area of investigations and to focus on fraud prevention.

### **3. SIGNIFICANT INTERNAL OVERSIGHT FINDINGS AND RECOMMENDATIONS**

11. IAOD reported findings in the following major areas<sup>2</sup>: Program and project management, PCT revenue generation process, travel management, payment cycle management, Conference and Language services management and construction projects management. In accordance with the IOC, the following comments reflect the results of the oversight work done during the period.

12. Management has already taken action on the issues identified. IAOD and Management have now a very interactive dialogue for the implementation of recommendations, as explained below.

#### **A. Program and Project management**

13. Through its evaluations of two Development Agenda projects and the continuous review of the use of the results-based framework by the Organization, IAOD identified good practices and made some recommendations for improvement of program and project management.

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<sup>1</sup> Combining likelihood and impact gives risk values. The risk assessment model was revised in 2011 by improving the definitions for likelihood and impact, which results in a more detailed assessment of risk at WIPO. IAOD has defined nine parameters for calculating likelihood (time since last audit report, audit results, inherent risk of the business function, changes in business processes, change in management, financial materiality, management/IAOC concerns, fraud history, function criticality -core/non-core) and two for calculating impact (financial and reputation). IAOD has defined a further four weighting categories (financial risk, strategic risks, operational risks, legal and compliance risks) which correspond to risk classifications.

<sup>2</sup> The list of reports is in Annex I

14. WIPO could make more use of specific, measurable, achievable, relevant and time-bound (SMART) performance and outcome indicators to measure the effects of projects and activities. More attention should be given to strengthening synergies from within and outside WIPO. This should include strengthening the role of the Regional Bureaus in projects and improving coordination with United Nations (UN) agencies in host countries. WIPO could put more effort into monitoring, evaluating, and reporting on the results of funded activities. Generally, project delivery strategies would need to be modified to make project implementation more efficient and demand driven.

#### B. PCT Revenue Generation Process

15. Considerable progress has been made within Patent Cooperation Treaty (PCT) to improve the revenue generation process. Most recommendations from a previous audit have been successfully implemented.

16. Coordination between services in reconciling and monitoring application fees could be improved to limit the risk on the completeness and accuracy of PCT revenues.

17. The methodology for determining the unit cost of one PCT publication does not factor in all the relevant cost elements due to lack of a cost accounting system. In view of improving the budgetary process, the Organization should explore ways of capturing the relevant costs to precisely calculate the unit cost indicator.

18. The PCT contains provisions for payment of various fees relating to patent applications. WIPO determines an equivalent amount per fee for each freely convertible currency in accordance with the directives of the PCT Assembly. The fees are updated when exchange rates variations meet a set of defined conditions. This procedure does not efficiently shield WIPO from exchange rate risks because the procedure of establishing a new fee takes up to three months. By the time the new fee is applicable, the exchange rates could have significantly varied, requiring a new assessment. The Secretariat needs to re-examine the methodology in view of improving the time lag and consider making a proposal to Member States. In re-examining the mechanism, the Organization should ensure that clients are not negatively impacted by any changes.

19. In order to achieve PCT current and future business objectives as well as meet expanding business needs, the skill set and competencies of PCT human resources need to be aligned with the objectives and expected results of PCT's Medium-Term Strategic Plan.

20. Finally, the Secretariat needs to take measures for ensuring appropriate backup of PCT data at a secure off-site location to reduce any risk on business continuity in line with best practices for disaster recovery.

#### C. Travel management

21. Several recommendations from the previous report issued in 2009 were implemented. The number of documented mission reports prepared by staff members has increased. The new travel policy, which restricts business class travel to journeys exceeding nine hours in duration, was implemented. This has resulted in cost savings for the Organization. Further cost savings could be achieved with changes in the following areas: alignment of WIPO's travel policy with the United Nation's Travel Policy, mission reports shared between all programs, timely booking and completion of travel claims.

22. WIPO personnel do not always plan travel sufficiently in advance to benefit from the most economical fares when traveling on official business assignments. As a result, WIPO incurs significantly higher travel costs than necessary. IAOD estimates that annual cost savings amounting to 870,000 Swiss francs could have been achieved in 2011 by advance travel planning.

23. Management has not addressed IAOD's previous recommendation, made in 2009 to compile all mission reports in a database for purposes of more effectively sharing accumulated knowledge, enhancing coordination and optimizing WIPO's continuing and future program initiatives.

24. Although the travel policy was updated in 2011, IAOD estimates that closer alignment to the UN Travel Policy could significantly reduce the current cost of home leave allowance which amounted to approximately 7.7 million Swiss francs from January 2009 to December 2011.

25. WIPO personnel do not always complete travel claims in a timely manner and management currently does not withhold further travel advances from staff who have not submitted overdue travel claims. As a result, management may not know whether a travel advance was justified, and all travel expenses may not be correctly accounted for.

#### D. Payment Cycle management

26. There has been a gradual but steady increase in the volume of invoices processed by the expenditures section between 2010 and 2012 (about 8 per cent) whereas the staff level has remained constant. The average number of transactions processed annually per staff increased in this period from 1,657 to 1,945. The Organization needs to accompany this good result by strengthening internal controls in the area of segregation of duties, commitment control, data and information management.

27. Segregation of duties should be further enhanced with regard to the number of staff who can run payment cycles and maintain the vendor master data in the Administrative Integrated Management System (AIMS). This has an impact on the data integrity<sup>3</sup> in AIMS and it requires joint action by WIPO units concerned to improve the control environment and operational efficiency.

28. An important portion of purchase requisitions (17 per cent in value) were raised *ex post facto*<sup>4</sup>. The use of *ex post facto* requisitions has a significant impact on the Organization's commitment control system and should, as a matter of fiscal prudence and organizational discipline, remain an exception.

29. One of the key benefits of an Enterprise Resource Planning (ERP) solution such as AIMS is the ability to use common master data, such as vendor data, across multiple functions. However, this benefit accrues only if data integrity is maintained. This was not the case; IAOD identified potential duplicates based on vendor names and addresses.

30. Currently, WIPO has not established an integrated Management Information System and except for monthly standard reports, financial and non-financial information is collected and reported on an *ad hoc* basis. Improvement can be made to generate reports for management information which can help better decision-making and improve controls.

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<sup>3</sup> Refers to the validity of data. Data integrity can be compromised in a number of ways: human errors when data is entered, errors that occur when data is transmitted from one computer to another, software bugs or viruses, hardware malfunctions, such as disk crashes and Natural disasters, such as fires and floods.

<sup>4</sup> Ex post facto requisitions are those that are created in the system after goods were received / services rendered and the supplier has presented invoice(s) for payment.

#### E. Conference and Language Services management

31. IAOD benchmarked the services provided by WIPO Conference and Language Department (CLD) against those of 22 UN and other international organizations and found a heavier workload in WIPO for translation services, a more limited use of IT tools and differences in costs for outsourcing services.
32. The verbatim reports which consist of transcribing and editing the entire proceedings of the Assemblies and other major meetings incur significant costs to the Organization (1.4 million Swiss francs in 2012). WIPO needs to take advantage of the current technologies available to provide information in different formats and at a lesser cost.
33. CLD is faced with the challenge of meeting an increased demand with existing limited resources. In order for CLD to meet its objectives and expected results, the current structure needs to be reviewed to ensure it meets demand and provides an efficient service. A more integrated system should be developed to improve the workflow and dedicated software should be used to manage interpreters scheduling. Surveys should be regularly used to collect feedback to better measure performance. CLD's skill sets and work flows will need to adjust to these new tools.
34. CLD translated 55,000 pages in 2012 (against 36,000 pages in 2011) of which 56 per cent was outsourced to individual translators. This rate is above the target rate of 45 per cent set in the Language Policy. The increased use of outsourcing requires that quality control methods of the Language Division be reviewed and harmonized.
35. The fee paid to individual external translators has not been reviewed for over 15 years. This fee should be reviewed in view of developing a pricing policy with different fees for different services and payments should be linked to satisfactory vendor performance.

#### F. Construction of the New Conference Hall

36. In September 2012, the WIPO Secretariat reported to the Member States that the contract between the General Contractor for the New Conference Hall (NCH) and WIPO had been terminated through an "amicable and jointly agreed separation" at the end of July 2012. The IAOC requested that "*a thorough audit/inspection of the project management from the selection of the general contractor to the mutually agreed separation would provide very reliable information on the issues which led to the current situation and which would have to be taken care of in any attempt to complete the program as envisaged*"<sup>5</sup>.
37. The termination of the contract can be attributed to deterioration in the working relationship between key stakeholders in the NCH project; delays in the construction work, which appeared in December 2011 and continued after the year-end period, and divergent views on the design specifications. The delay in construction was reported as three weeks in December 2011, 33 work-days in March 2012 and 52 work-days in June 2012. Construction came to a standstill in June 2012 due to a disagreement between the General Contractor and WIPO when the former refused to demolish and rebuild a pillar that was not in conformity with the architectural design specifications.
38. IAOD was informed that concerns over the image of the Organization and lack of adequate evidence were the reasons for not terminating the contract with the General Contractor at an earlier stage.

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<sup>5</sup> Para. 23 of IAOC Report WO/IAOC/26/2



39. Since terminating the contract, WIPO has taken on the responsibilities of a general contractor for executing the NCH project and has given expanded mandates to the Architect and the Pilot. Several key risks stemming from the current situation need prompt management attention and implementation of mitigating measures.

40. Subsequent to terminating the contract in July 2012, WIPO's payments to the General Contractor, which were in accordance with the contractual terms<sup>6</sup>, were about 10 million Swiss francs in excess of the value of the work completed. WIPO has since recovered part of the money from the General Contractor<sup>7</sup>; further action is required to ensure that all money owed to WIPO is recouped.

#### 4. INVESTIGATIVE ACTIVITIES IN THE REPORTING PERIOD

41. In the reporting period, 16 new cases were registered and 28 cases were closed (as compared with 18 cases received and 16 cases closed in the previous period). These figures show that while the number of new cases registered has remained stable, IAOD has managed to address a significantly larger number of cases.

42. This increased productivity has had two positive effects. First, the backlog of cases has been eliminated. As at June 30, 2013, only two cases were pending. One was registered in early June and is under preliminary evaluation to determine whether a full investigation is warranted; the other case was registered in 2009 and has been held in abeyance since 2010 following a referral to the Swiss authorities. By comparison, there were 14 pending cases on July 1, 2012, including four active investigations and ten cases under preliminary evaluation.

Table 1 – Investigation cases summary

<b>Pending cases on July 1, 2012</b>	<b>New cases registered between July 1, 2012 and June 30, 2013</b>	<b>Cases closed between July 1, 2012 and June 30, 2013</b>	<b>Pending cases as at June 30, 2013</b>
<b>14</b>	<b>16</b>	<b>28</b>	<b>2</b>

43. Second, increased productivity has improved the timeliness of IAOD investigative activities. The average duration of cases closed during the reporting period was six months. It is down to five months not counting one case that had to be held in abeyance for 10 months and another one that was completed after 30 months for reasons partly beyond IAOD's control. Cases that were both received and closed during the reporting period remained open for an average of three months, compared to seven months in the previous period.

44. Since 2008, IAOD has registered a total of 101 investigation cases, of which 99 were closed as at June 30, 2013.

45. During the reporting period, four of the new cases registered involved allegations of irregular human resources practices and three concerned abuse of the Flexitime system. The remaining nine cases belonged to various categories, namely: statements and pronouncements incompatible with the obligations of an international civil servant (two cases); harassment, discrimination and/or abuse of authority (two cases); unauthorized communication of information (two cases); misuse of information and communication technology (ICT) resources (one case); and miscellaneous (two cases).

<sup>6</sup> WIPO made the payments as per the contract payment plan. The contract provided that plan payments were to be made within 45 days from the date of the invoice; provided that the General Contractor had submitted its monthly progress report and which were accepted by WIPO. The amount of 10 million Swiss francs includes payments which were made by WIPO until March 2012 when monthly payments were stopped and one payment made as part of the amicable and jointly agreed July 2012 settlement.

<sup>7</sup> The balance due by the General Contractor was 5.2 million Swiss francs as of May 6, 2013.

46. One of the 16 new cases registered during the reporting period was referred to IAOD for investigation by the Joint Grievance Panel (compared to three in the previous period). All other cases were registered further to complaints or requests filed by WIPO staff members, either in their individual capacity or as management representatives.

47. Of the 28 cases closed during the reporting period, 11 (39 per cent) led to a full investigation, either further to a decision by the Director, IAOD based on the outcome of the preliminary evaluation, or in four cases further to a referral from the Joint Grievance Panel (JGP). IAOD did not find evidence of misconduct by the alleged perpetrator in any of these four JGP cases. In five other cases (18 per cent of the 28 cases closed), IAOD concluded that allegations of misconduct were substantiated. One investigation could not be completed due to the staff member's separation from service.

48. The outcome of the cases closed during the reporting period is described in Table 2 below.

**Table 2 – Outcome of cases closed between July 1, 2012 and June 30, 2013**

<b>Outcome</b>	<b>Count</b>	<b>per cent</b>
Allegation(s) not substantiated further to the preliminary evaluation	10	36
Allegation(s) not substantiated further to a full investigation	6	21
Allegation(s) substantiated	5	18
Other reasons (e.g. staff separation, matter not within the purview of IAOD, other remedy available)	6	21
Complaint withdrawn	1	4
<b>Total</b>	<b>28</b>	<b>100</b>

49. In four of the five cases where IAOD found that allegations of misconduct were substantiated, the following actions were taken by management: (i) A written reprimand was imposed on a staff member; (ii) In one case, the Director General decided not to take further action in view of the mitigating circumstances outlined in the investigation report; (iii) A separation agreement was concluded with a staff member after referral of the case to the Joint Advisory Committee for advice on the appropriate disciplinary measure; and (iv) Disciplinary proceedings were initiated in another case. Finally, one case is still under review by management.

50. The investigative activities undertaken during the reporting period have also led IAOD to draw some lessons. A number of management implication reports and recommendations to improve existing systems, policies and procedures have been issued. Issues brought to management attention encompassed topics such as outside activities, personnel files, the e-mail system, and dependency status determination.

51. Tables and charts in Annex II provide additional statistical information on investigation cases.

52. During the reporting period, IAOD conducted consultations on the draft Investigation Policy, which has been pending since August 2010, as well as on a revised version of the Investigation Procedures Manual issued in July 2010. A first round of consultations with WIPO Program Managers, the Office of the Legal Counsel, the Human Resources Management Department, the Ethics Office, the Ombudsman, the Staff Council, and the IAOC took place between the end of October 2012 and February 2013. Following this first round of consultations, IAOD made amendments to the two draft documents and re-circulated them for a second round of consultations on April 30, 2013. The next step will be to submit the draft Investigation Policy to the Member States for consultation, as required by the IOC.

## 5. INSTANCES WHERE INFORMATION OR ASSISTANCE WAS REFUSED

53. In accordance with paragraph 27(g) of the IOC, the Director, IAOD reports that two staff members refused to assist in an ongoing investigation during the reporting period, while another one who had filed a request for investigation refused to provide evidence which the staff member claimed to possess. The lack of cooperation from these staff did not prevent IAOD from completing its work but did cause delay.

## 6. STATUS OF IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS

54. 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 the Program Managers responsible for the specific operational areas within the Organization<sup>9</sup>. The implementation of all oversight recommendations by WIPO Program Managers is subject to regular follow-up by IAOD<sup>10</sup>.

Table 3 – Open recommendation by source

Source	July 1, 2012			June 30, 2013
Oversight Recommendations from:	Open Recommendations	Recommendations added in the period	Recommendations Recorded as Implemented in the period	Recommendations in-progress
External audit	12	0	8	4
Joint Inspection Unit	1	0	0	1
IAOD	118	77	86	118
IAOC	9	0	6	3
<b>Totals</b>	<b>140</b>	<b>77</b>	<b>123</b>	<b>94</b>

55. At the date of the present report, there are 94 recommendations now recorded as open by Program Managers which include 67 that address very high-risk (four) and high-risk (63) issues. The four very high risk recommendations relate primarily to information technology issues identified in audits of Flexitime System and Employee Access Controls to WIPO's Premises (2011) and Verification of IAOD's Information Technology and Security Related Audit Recommendations (2011). Nineteen (or 20 per cent) of the high risk recommendations have been open for more than two years.

56. Since the 2012 summary annual report<sup>11</sup>, IAOD has deployed a new oversight software tool TeamMate© and a new Web based recommendation management system, TeamCentral©. The system has been well received and the initial outcome has been positive. The software allows for an ongoing dialogue between IAOD and Programs regarding implementation of recommendations.

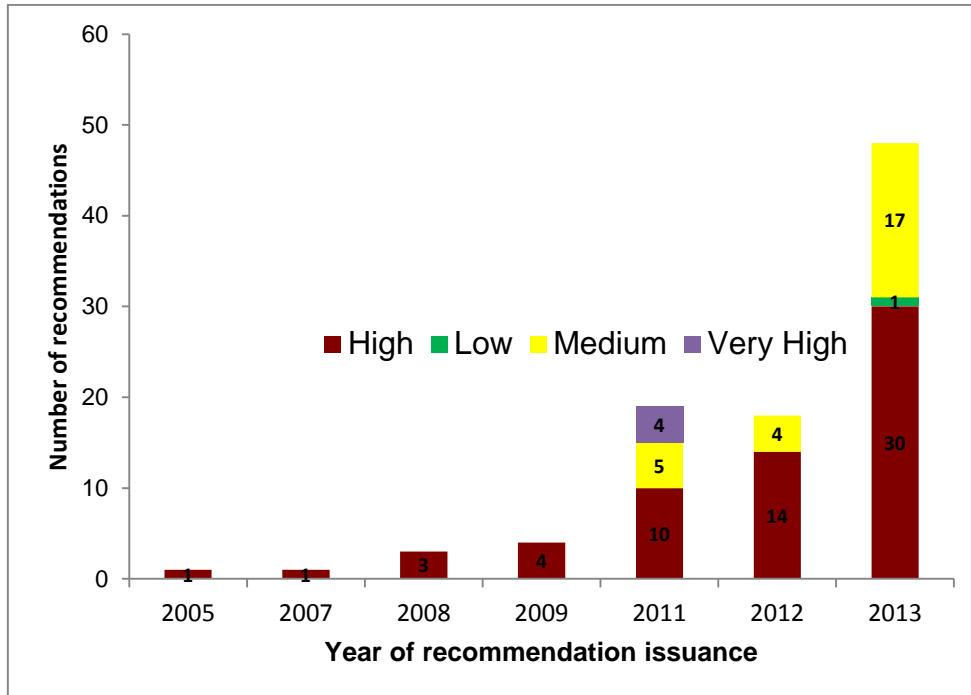
<sup>8</sup> IOC paragraph 23.

<sup>9</sup> Office Instruction (OI) 16/2010, paragraph 7.

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

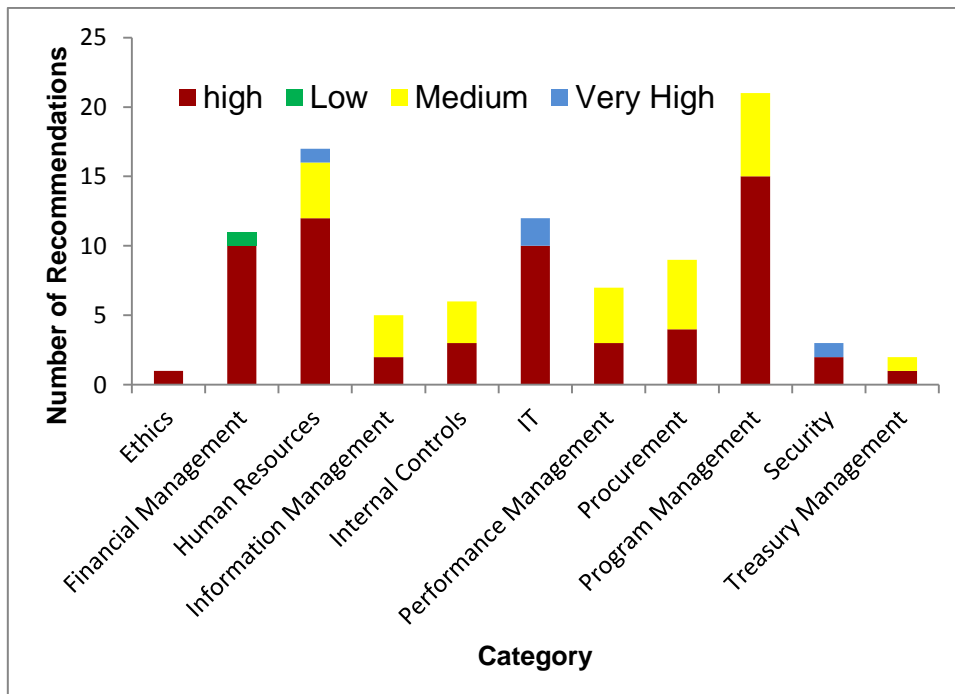
<sup>11</sup> WO/GA/41/9

Chart 1 – Aging of Oversight Recommendations - June 30, 2013



57. Of the 67 high and very-high risk recommendations, 15 relate to Program management, 13 to human resources, 12 to IT, 10 to finance management, four to procurement, three to internal controls, performance management and security, respectively, two to information management and one each to ethics and treasury management.

Chart 2 - Open recommendations by category



58. The External Auditor's recommendations have continued to be progressively implemented during the period, and only four remain outstanding. As required by the IOC, IAOD provided a report 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.

59. In accordance with the IOC this summary annual report must provide “a description of all recommendations which were not approved by the Director General, together with his reasons for not doing so”. Annex III provides the one recommendation closed during the reporting period without implementation together with the reasons for not implementing it.

## 7. OTHER OVERSIGHT WORK

### A. CONSULTATIVE AND ADVISORY WORK

60. In addition to its normal oversight work, and in line with the IOC, IAOD provides advice in two forms. First, by participating as observer in various committees (WIPO Investment Committee and the Conference Hall *Ad hoc* Contract Committee). Second, by providing advice as requested on the regulatory framework or policy documents as listed in Annex IV.

### B. THE INDEPENDENT ADVISORY OVERSIGHT COMMITTEE

61. IAOD has 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. The 26<sup>th</sup> through 29<sup>th</sup> meetings of the IAOC took place in the period covered by this report.

62. IAOD has benefitted from the advice and guidance from the IAOC as reflected in the latter’s reports<sup>12</sup>.

### C. CLIENT SATISFACTION SURVEY

63. To better understand expectations from colleagues and get their feedback on oversight work, IAOD has routinely used client satisfaction surveys since January 2012. Such surveys allow IAOD to better identify areas for improvement of its own work.

64. Twelve surveys were issued to clients in the last 18 months. On average the work was rated as 80 per cent satisfactory. The best average score was for the teams that “*conducted themselves in an objective, professional and courteous manner*” with a 90 per cent satisfaction rate. The worst average mark was obtained while assessing if “*the complete audit/evaluation took a reasonable length of time, from notification of audit/evaluation to issuance of final report*” with a 70 per cent satisfaction rate.

65. The additional comments sent by the audited/evaluated units help IAOD identify shortcomings and work on corrective actions. The introduction of the Teammate© software should assist in improving IAOD’s performance and the overall satisfaction of those services benefiting from IAOD’s work.

### D. THE EXTERNAL AUDITOR

66. 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 and IAOD shared strategies, annual plans and individual reports with a view to ensuring efficient oversight coverage and avoiding any potential unnecessary duplication.

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<sup>12</sup> WO/IAOC/26/2, WO/IAOC/27/2, WO/IAOC/28/2 and WO/IAOC/29/2

## E. THE OMBUDSMAN AND THE ETHICS OFFICE

67. During the reporting period, the Director, IAOD met regularly with the Ombudsman and the Ethics Office, as required by the IOC, to ensure good liaison and avoid any unnecessary duplication of activities. The discussions have been very helpful and useful in ensuring that the separate and independent mandates of IAOD, the Ombudsman and the Ethics Office are carried out effectively.

## F. NETWORKING WITH OTHER OVERSIGHT FUNCTIONS

68. The IOC makes specific provision for the need for participation in various formal networks of the UN for oversight functions. IAOD recognizes the value and importance of developing relationships with its peers. During the period under review, IAOD continued its active and useful collaboration and networking with other UN organizations and entities. In particular IAOD actively participated in:

- (a) The 42<sup>nd</sup> Annual Meeting of Representatives of Internal Audit Services (RIAS) of the UN, in Vienna in September 2012. IAOD leads the work on staff mobility and on benchmarking;
- (b) The 13<sup>th</sup> Conference of Internal Investigators held in Luxembourg in September 2012;
- (c) The annual meeting of Heads of internal audit services of European based international organizations (HOIA) April 2013 at Heidelberg;
- (d) The annual UNEG meeting in April 2013, in New York. IAOD is a member of the UNEG Task Forces on Standards and Norms and on the Evaluation of Normative Work as well as of the working group on Evaluation and Audit;
- (e) The first meeting of the newly established United Nations Heads of Investigation Group (UNHIG), which took place in Geneva in March 2013 and brought together the representatives of 16 UN organizations. The mandate of the group is to strengthen investigation practices and professionalism by providing a forum for development of policies and procedures; to promote and support independence, collaboration and common professional positions of its members to add value to their organizations; and to exchange information and provide advice, as necessary, to members of the group and UN fora.

69. In April 2014, IAOD will host the HOIA meeting at WIPO.

## G. EVALUATION SEMINAR

70. IAOD organized its second Evaluation Seminar in November 2012. The seminar's objectives were to present WIPO's evaluation function and results and advocate for good evaluation practices and their usefulness for management and decision-making.

71. The seminar took stock of completed evaluations (The Kenya Country Portfolio Evaluation, the Start-up National Academies Evaluation and the Developing Tools for Access to Patent Information Evaluation), as well as of the validation of the Program Performance Report. WIPO Management talked about their expectations and experiences with evaluation and IAOD. Member States and IAOC gave their views and explained their needs on evaluation.

72. There were 62 participants composed mainly of WIPO's staff and management, WIPO's Member States, as well as external experts for Intellectual Property (IP) evaluation.

73. Overall the seminar allowed the participants to share examples on the above mentioned topics and their own experience with evaluations undertaken in WIPO.

#### H. OUTREACH ACTIVITIES TO COLLEAGUES IN THE ORGANIZATION

74. To better explain and advocate for its work, IAOD took several initiatives to reach out to colleagues:

- (a) IAOD Intranet homepage was reorganized and communicated to WIPO staff;
- (b) An informational brochure on IAOD services was published;
- (c) In the context of *Learning at WIPO*, an initiative from the Human Management Resources Department to enlarge the induction program, and *What's new at WIPO ?*, an internal communications initiative, IAOD delivered two presentations to staff to explain its work in internal audit, evaluation and investigation. Overall, 80 staff attended the two separate sessions and the feedback was positive; and
- (d) IAOD is now on the agenda for induction trainings organized for new staff.

### 8. OVERSIGHT RESOURCES

75. The IOC specifically requires the Director, IAOD to comment on the adequacy of resources allocated to internal oversight within the Organization.

#### A. BUDGET AND STAFF

76. Compared with the previous biennium IAOD staff numbers remain stable and non-staff resources increased by 11 per cent. Staffing issues had challenged the proper and effective introduction of internal oversight at WIPO for a considerable period of time; this was not the case during the reporting period. IAOD now has 11 staff for 2012 and 2013<sup>13</sup>. While IAOD budget and staff represent only 0.75 per cent and 0.9 per cent of WIPO budget and staff, this puts WIPO in the average of other UN organizations<sup>14</sup>.

77. Two staff joined during the reporting period, the Head, Investigation Section and an Auditor on a temporary appointment. At the time of reporting, there is a temporary Investigator post vacant. With the assistance of the Human Resources Management Department, and after two unsuccessful vacancy announcements, IAOD expects recruitment before the end of the year.

78. The major concern remains to move from a structure with short-term staff serving in IAOD to a structure with a majority of fixed-term posts. This will help move IAOD closer to UN norms for internal oversight activities and to ensure that IAOD continues to operate as an effective and independent oversight body in accordance with its mandate.

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<sup>13</sup> For the 2012/2013 Budget, IAOD proposed to 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>14</sup> JIU reports refer (JIU/REP/2006/2 - Oversight lacunae in the United Nations System, JIU/REP/2010/5 - The Audit function in the United Nations System and JIU/REP/2011/7 The Investigation function in the United Nations System)

**Table 4- 2012 IAOD Budget and expenditures<sup>15</sup> after transfers**

	<b>Budget after transfers 2012/13</b>	<b>Expenditures 2012</b>	<b>Utilization rate</b>
Personnel Resources	4,032	1,939	48%
Non-Personnel Resources	805	367	46%
<b>Total</b>	<b>4,837</b>	<b>2,306</b>	<b>48%</b>

79. During the reporting period, use was made of contracted experts for various oversight activities. This was particularly valuable for work related to evaluations. It is planned to continue to engage experts and contractors in the next years in order for IAOD to be able to broaden the expertise in the various oversight activities.

#### B. TRAINING

80. Essential for the continued professional development, and in accordance with its training policy, IAOD ensures that each IAOD staff member possesses and improves knowledge, skills and other competencies needed to perform their individual responsibilities, with a view to continuously improving the quality of oversight work undertaken. IAOD staff members were trained during the reporting period on TeamMate© and TeamCentral©, fraud prevention and detection, risk management, International Public Sector Accounting Standards (IPSAS), report writing and PeopleSoft©.

[Annexes follow]

<sup>15</sup> As at December 31, 2012; in thousands of Swiss francs. Staff commitments are allocated annually.



**List of IAOD Reports  
July 1, 2012 to June 30, 2013**

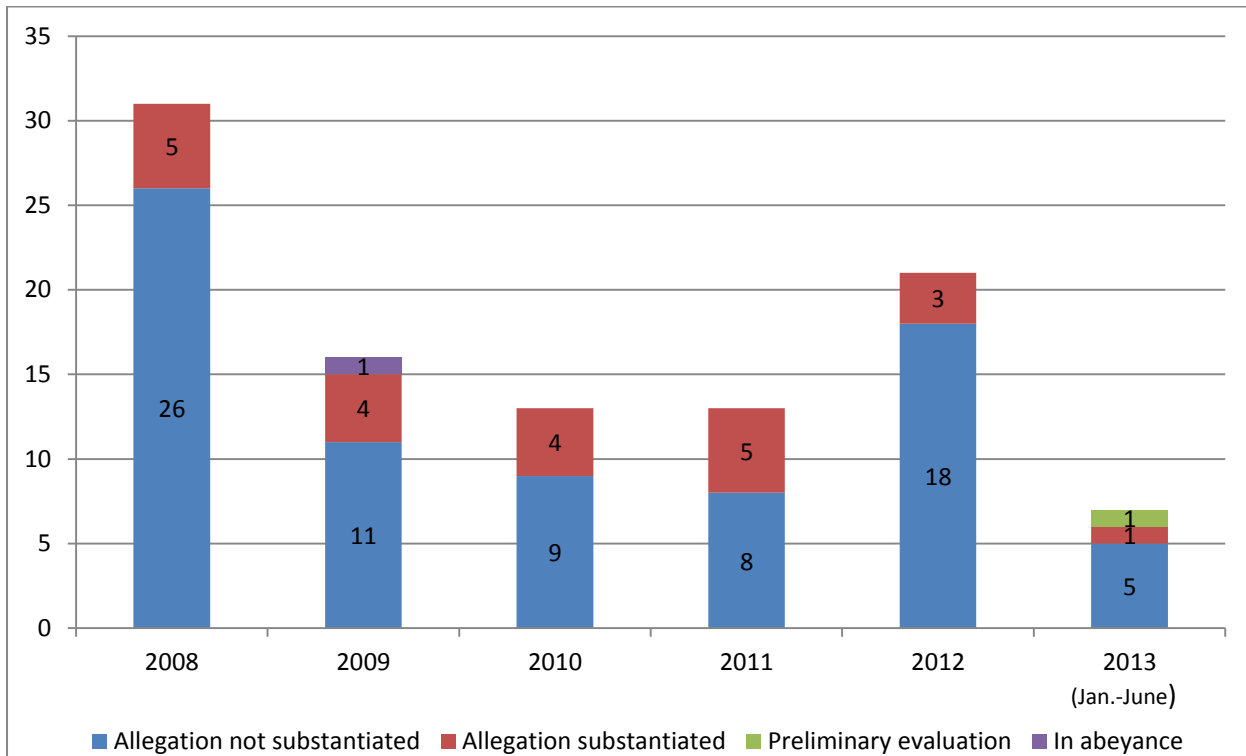
- |   |              |
|---|--------------|
| - Audit of PCT Revenue Generation Process   | IA 2012-01   |
| - Audit of Conference and Language Services   | IA 2012-02   |
| - Audit of Travel and Mission Support   | IA 2012-03   |
| - Audit of the Payment Process  | IA 2012-04   |
| - Audit of WIPO Construction Projects   | IA 2012-06   |
| - Evaluation of the Project on Improvement of National, Sub-regional and Regional IP Institutional and User Capacity  | EVAL 2012-08 |
| - Evaluation of the Project on Developing Tools for Access to Patent Information  | EVAL 2012-09 |
| - 16 investigation cases registered.  |              |
| - 28 investigation cases closed, representing during the reporting period 21 preliminary evaluation reports, 11 investigation reports, four management implication reports, and one <i>ad hoc</i> report. |              |

[Annex II follows]

### INVESTIGATION STATISTICS

1. Between March 2008 (when the Investigation Section was established) and June 30, 2013 (end of the reporting period), IAOD registered a total of 101 investigation cases and closed 99 of them. The table below shows the outcome of the cases that were closed (allegations substantiated or not) and the status of the two open cases (in abeyance and under preliminary evaluation)

**Chart 3– Status of cases per year up to June 30, 2013**



2. The table below gives an indication of the type of allegations received since 2008.

**Table 5 – Cases by category of allegations per year**

Case Category	Year						Grand Total
	2008	2009	2010	2011	2012	2013 Jan.-Jun.	
Benefits and Entitlements	3%	25%	23%	23%	19%	29%	17%
Fraud/Providing false information to the Organization							
Harassment/Discrimination/Abuse of Authority	32%	-	15%	-	14%	29%	17%
Irregular HR practices	10%	13%	15%	15%	24%	-	14%
Miscellaneous	-	-	-	-	0%	28%	2%
Misuse of ICT resources	29%	31%	23%	8%	5%	-	18%
Other fraudulent and corrupt practices (other than benefits and entitlements fraud)/Misappropriation or misuse of funds and assets (other than the misuse of ICT resources)	13%	6%	8%	31%	5%	-	11%
Statements, pronouncements and activities incompatible with the obligations of an international civil servant	13%	19%	15%	15%	19%	-	15%
Unauthorized communication of information	-	6%	-	8%	14%	14%	6%
<b>Grand Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

[Annex III follows]

**LIST OF IAOD RECOMMENDATIONS CLOSED WITHOUT IMPLEMENTATION**

<b>No.</b>	<b>Reference</b>	<b>Recommendation Description</b>	<b>Residual Risk Appreciation (Secretariat)</b>
1.	Recommendation 425 from IA 2011-06 Review of Human Resources Management	Taking into account UN good practices and OLF standards as benchmark, WIPO Training budget should be increased to effectively support the achievement of the objectives of the PMSDS.	<p>HRMD is of the view that in the current economic situation the target of one per cent is not feasible. However as long as the allocated training budget is sufficient to cover the critical collective training needs as well as the target specified for individual training needs identified in PMSDS and also taking into account that WIPO offers a large number of training activities provided by internal trainers and the Academy, the diversion from the one per cent should be considered by WIPO as an acceptable risk.</p> <p>The Director General concurred and informed IAOD that WIPO shall comply to the extent that finances permit and to the extent that is judged appropriate to meet needs.</p>

[Annex IV follows]

## **LIST OF IAOD CONSULTING AND ADVISORY ACTIVITIES**

1. Records Management and Archiving policy
2. Financial Disclosure Policy
3. Evaluation of Infrastructure Modernization Division projects
4. Independent Inquiry in technical assistance to countries subject to UN sanctions
5. Korea Funds in Trust
6. Whistleblower protection policy
7. ECM - Enterprise Content Management
8. Institutional Integrity Initiative
9. Code of Conduct for managing supplier relationships
10. Internet Access Policy 2013
11. UN Transparency and Accountability Initiative
12. Vacancy Announcements
13. Policy on preventing and deterring corruption
14. Office Instruction on Procurement and Procurement Manual
15. Office Instruction on Use of Confidential Information
16. Staff Regulations and Rules
17. Review of the Internal Justice System
18. Information Security Policies

[End of Annex IV and of document]