

**Program and Budget Committee  
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**PROPOSED AMENDMENTS TO WIPO'S FINANCIAL REGULATIONS AND RULES (FRR)**

This document contains the Financial Regulations and Rules of WIPO, showing the changes as proposed in document *WO/PBC/26/5* in tracked changes, for reference purposes.

# FINANCIAL REGULATIONS AND RULES OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)\*

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## CHAPTER 1: GENERAL PROVISIONS

### Applicability and authority

#### Regulation 1.1

These Regulations shall govern the financial activities of the World Intellectual Property Organization (WIPO) (hereinafter referred to as the Organization) and of the Unions administered by it. They are approved by the General Assembly.

#### Rule 101.1

The Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. The Program and Budget Committee is informed of any modification of the Financial Rules. They shall govern all the financial management activities of the Organization except as may otherwise explicitly be provided by the General Assembly or unless specifically exempted therefrom by the Director General. The Director General hereby delegates authority and assigns responsibility for the implementation of the Financial Regulations and Rules to the Controller, [together with the authority to issue Office Instructions for such purpose](#). The Controller may in turn delegate aspects of his/her authority to other officers unless the Director General indicates otherwise. In the application of the Financial Regulations and Rules, officers shall be guided by the principles of effective and efficient financial management and the exercise of economy.

### Responsibility and accountability

#### Rule 101.2

All employees of the Organization are obliged to comply with the Financial Regulations and Rules and with Office Instructions issued in connection with those Regulations and Rules. Any employee who contravenes the Financial Regulations and Rules or corresponding Office Instructions may be held personally accountable and financially liable for his or her actions.

### Definitions

#### Rule 101.3

For the purpose of these Rules:

- (a) "Assemblies of the Unions" mean the Assemblies of each Union constituted by a treaty administered by WIPO;
- (b) "Coordination Committee" is the Committee referred to in Article 8 of the Convention Establishing the World Intellectual Property Organization, Stockholm, July 14, 1967, and as amended;
- (c) "General Assembly" is the body of Member States referred to in Article 6 of the Convention Establishing the World Intellectual Property Organization, Stockholm, July 14, 1967, and as amended;
- (d) "Program and Budget Committee" means the Committee constituted by the General Assembly to deal with program, budget, personnel resources, premises, and finance;
- (e) "Appropriations" shall mean the ~~budgetary~~—expenditure authorizations [in accordance with the Program and Budget](#) approved by the General Assembly ~~for the financial period against which expenditures may be incurred for purposes specified by the General Assembly~~;
- (f) "Disbursement" shall mean the actual amount paid;

- (g) “Employee” is a person engaged by the Organization, under any type of contract, to perform duties;
- (h) “Expenditure” shall mean the sum of disbursements (excluding amounts prepaid at the end of each year of the financial period) and expense accruals;
- (i) “Headquarters” shall mean the offices of the Organization located in Geneva;
- (j) “Obligations” (“contractual commitments”) are amounts of orders placed, contracts awarded, and other transactions ~~for which goods have been received or services rendered during the current financial period and~~ which will require payment during the same or a future period;
- (k) “Officer” is a staff member of the Organization, that is, an individual employed under a fixed-term, continuing, permanent, or temporary appointment;
- (l) “Pre-encumbrance” (“Commitment” or “Purchase Requisition”) shall mean an engagement involving an earmarking of funds against resources of the Organization;
- (m) “Program Manager” is a senior officer designated by the Director General to be in charge of one or more programs in the Program and Budget;
- (n) “Reserve funds” ~~shall mean funds established by the Assemblies of the Member States and of the Unions, each as far as it is concerned, in which surplus income from fees that exceed the amounts required to finance the program and budget appropriations should be deposited. Reserve funds shall be used in a manner decided by the Assemblies of the Member States and of the Unions, each as far as it is concerned~~are the net assets of the Organization, and include accumulated surpluses, special projects reserve, revaluation reserve and working capital funds;
- (o) “Special Account” shall mean an account for monies not being part of the appropriations but administered by the Organization on behalf of voluntary contributors for specific activities which must be consistent with the aims and policies of the Organization;
- (p) “Trust funds” shall mean funds held by the Organization on behalf of other entities;
- (q) “Working capital funds” shall mean funds established for providing advance financing of appropriations should there be a temporary liquidity shortfall and for such other purposes as the Assemblies of Member States and of the Unions, each as far as it is concerned, shall decide.

## **Financial period**

### **Regulation 1.2**

The financial period shall consist of two consecutive calendar years, the first of which shall be an even year.

## **Effective date**

### **Regulation 1.3**

These Regulations shall become effective on the first of January of the first year of the financial period following the date of adoption of the Regulations by the General Assembly.

## CHAPTER 2: THE PROGRAM AND BUDGET

### Authority and responsibility

#### Regulation 2.1

The proposed program and budget for each financial period shall be prepared by the Director General.

#### Regulation 2.2

The involvement of Member States in the preparation of the proposed program and budget for the next financial period shall be in accordance with the mechanism that they adopted in that respect.

#### Rule 102.1

Program Managers shall prepare program and budget proposals for the forthcoming financial period at such time and with such details as the Director General may prescribe.

### Presentation, content and methodology

#### Regulation 2.3

The proposed program and budget shall cover estimates for income and expenditure for the financial period to which it relates, in a consolidated form for the Organization, as well as separately for each Union.

#### Regulation 2.4

All estimates of income and expenditure shall be presented in Swiss francs.

#### Regulation 2.5

The proposed program and budget shall be divided into programs. Proposed programs shall include a narrative setting out objectives and expected results during the biennium, together with financial and human resources required to achieve the objectives, expected results and benchmarks and indicators of achievement. The proposed program and budget shall be preceded by a statement explaining the content of the program and the volume of resources allocated to it in relation to the previous financial period. The proposed program and budget shall be accompanied by such information, annexes and explanatory statements as may be requested by the General Assembly and the Assemblies of the Unions and such further annexes or statements as the Director General may deem necessary and useful.

#### Rule 102.2

The proposed program and budget shall contain:

- (i) A statement of financial and human resources requirements by proposed program and by nature of expenditure in a consolidated form for the Organization, as well as separately for each Union; for purposes of comparison, the expenditures for the previous financial period, the adopted initial budget and the proposed revised budget for the current financial period shall be indicated alongside the resource requirements estimates for the forthcoming financial period;
- (ii) A statement of estimated income including income from contributions, fees for services rendered under the PCT, Madrid, Hague and Lisbon systems and income classified as miscellaneous in accordance with Regulation 3.13;
- (iii) A statement of estimated demand for services under the PCT, Madrid, Hague and Lisbon systems, respectively;
- (iv) A detailed organigram of the International Bureau including names of Directors and Program Managers.

## **Review and approval**

### **Regulation 2.6**

The Director General shall submit the proposed program and budget for the following financial period to the Program and Budget Committee for discussion, comments and recommendations, including possible amendments, by the first of July of the year preceding the financial period.

### **Regulation 2.7**

The Program and Budget Committee shall review the program and budget proposed by the Director General and transmit it to the Assemblies of the Member States with its recommendations.

### **Regulation 2.8**

The Assemblies of the Member States and of the Unions, each as far as it is concerned, shall adopt the program and budget for the following financial period after consideration of the proposed program and budget and the recommendations of the Program and Budget Committee thereon. If the program and budget is not adopted before the beginning of the following financial period, the authorization to the Director General to incur obligations and make payments would remain at the level of appropriations of the previous financial period.

## **Publication of the approved program and budget**

### **Rule 102.3**

The Controller shall arrange for the publication of the program and budget as approved by the General Assembly.

## **Supplementary and revised budget requirements**

### **Regulation 2.9**

Supplementary and revised program and budget proposals may be submitted by the Director General whenever necessary. However, no such proposals are required in respect of transfers within the limits set in Regulation 5.5 and of flexibility adjustments made in accordance with Regulation 5.6. For purposes of disclosure to Member States, all such transfers and/or adjustments shall, however, be reflected in supplementary and/or revised program and budget proposals, if and when these proposals are submitted by the Director General.

### **Regulation 2.10**

(a) The supplementary and revised budget proposals shall reflect changes in the financial and human resources requirements associated with:

- (i) activities which the Director General considers to be of the highest urgency and which could not have been foreseen at the time the initial program and budget proposals were prepared;
- (ii) transfers of appropriations between programs under Regulation 5.5;
- (iii) flexibility adjustments made in accordance with Regulation 5.6;
- (iv) activities mentioned in earlier program and budget proposals as items for which later submissions would be made;
- (v) inflation, mandatory salary scale adjustments, and currency fluctuations.

- (b) The supplementary and revised budget proposals shall also provide:
- (i) revised estimates of demand for services under the PCT, Madrid and Hague systems;
  - (ii) revised estimates of income, including from the above services, and miscellaneous income as defined in Regulation 3.13.

### **Supplementary and revised program and budget proposals: review and approval**

#### **Regulation 2.11**

The Director General shall prepare the supplementary and revised program and budget proposals in a form consistent with the approved budget and shall submit such proposals to the Program and Budget Committee. The Program and Budget Committee shall review the proposals and transmit them to the Assemblies of the Member States with its recommendations.

#### **Rule 102.4**

Program Managers shall prepare supplementary and revised program and budget proposals at such time and with such details as the Director General may prescribe.

#### **Regulation 2.12**

The Assemblies of the Member States and of the Unions, each as far as it is concerned, shall adopt the supplementary and/or revised program and budget proposals for the current financial period.

### **Unforeseen and extraordinary expenses**

#### **Regulation 2.13**

The General Assembly, and the Assemblies of the Unions, each as far as it is concerned, may adopt a decision to authorize the Director General to incur unforeseen and extraordinary expenses which cannot be met from existing appropriations up to such amounts and subject to such limits as included in the authorizing decision.

#### **Rule 102.5**

- (a) Authorizations to incur commitments in accordance with the General Assembly decision, and that of the Assemblies of the Unions, each as far as it is concerned, for unforeseen and extraordinary expenses shall be issued by the Controller.
- (b) The Controller shall prepare a report for presentation by the Director General to the General Assembly, and the Assemblies of the Unions, each as far as it is concerned, on the status of all commitments relating to unforeseen and extraordinary expenses.

### **Program and ~~budget~~ financial performance ~~and evaluation~~ reporting**

#### **Regulation 2.14**

The Director General shall prepare a report on program and budgetary performance, based on the program structure, results frameworks, ~~benchmarks~~ and indicators of achievement contained in the program and budget, in accordance with the mechanism adopted by the Member States in respect of their involvement in the preparation and follow up of the program and budget of the Organization. The program and financial management report of (i) the first year of the biennium shall provide a progress report on program and budgetary performance; and of (ii) the second year of the biennium shall provide a report on the achievements of the biennium, together with financial management information as required under these Financial Regulations and Rules.

### **Rule 102.6**

Program Managers shall submit to the Director General such information and at such time as he or she shall prescribe for inclusion in the report on program performance.

### **Regulation 2.14bis**

The program and financial management report of the second year of the biennium shall include the following financial information:

(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;

(b) The status of appropriations, including:

(i) the original budget appropriation;

(ii) the appropriation as modified by transfers made by the Director General under Regulation 5.5;

(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;

The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.

### **Rule 102.7**

The Controller shall prepare the program and financial management report in accordance with Regulation 2.14 and 2.14bis.

### **Regulation 2.15**

The Director General shall establish a system for planning, conducting and using evaluative information for decision making.

## **CHAPTER 3: FUNDS**

### **Financing of appropriations**

#### **Regulation 3.1**

Appropriations shall be financed by contributions of Member States assessed under Regulations 3.2 and 3.3, fees derived from services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems, miscellaneous income as referred to in Regulation 3.13 and such other means as the General Assembly shall decide.

### **A. ASSESSED CONTRIBUTIONS**

#### **Assessed contributions**

#### **Regulation 3.2**

Contributions are assessed under a "class and unit" system by each State member of WIPO and/or of any of the contribution-financed Unions, according to the class to which the State belongs for the purpose of contributions.

#### **Amount of assessed contribution**

#### **Regulation 3.3**

The amount of the annual contribution of each State is the same whether the State is a member only of WIPO, or only of one or more Unions, or of both WIPO and one or more Unions. The amount of the annual contribution payable by each State in each class is calculated by multiplying the number of units of that class by the value, in Swiss francs, of one contribution unit. That value

is fixed by the General Assembly meeting in joint session with the Assemblies of the contribution-financed Unions.

### **Request for payment of assessed contributions**

#### **Regulation 3.4**

The Director General shall communicate, each year, to the States members of WIPO and/or of the contribution-financed Unions the amount of their contributions for the forthcoming year on the basis of the class to which they belong.

### **Payment of assessed contributions**

#### **Regulation 3.5**

Contributions shall be considered as due and payable in full on the first day of the calendar year to which they relate. As of January 1 of the following calendar year, the unpaid balance of such contributions shall be considered to be one year in arrears.

### **Order of payment of assessed contributions**

#### **Regulation 3.6**

Payments made by a Member State shall be credited first to the working capital funds and then to the contributions due in the order of the years for which they are due.

### **Status of payment of assessed contributions**

#### **Regulation 3.7**

The Director General shall submit [an annual as well as a biennial statement on the status of contributions of the Member States](#) to the General Assembly ~~at each ordinary session a report on the payment of contributions.~~

### **Assessed contributions from new Member States**

#### **Regulation 3.8**

New Member States shall be required to pay their contributions from the year following that in which they became members.

### **Currency of assessed contributions**

#### **Regulation 3.9**

Contributions shall be paid in Swiss francs.

## **B. FEES**

#### **Regulation 3.10**

The level of the fees payable to the Organization for services rendered under the PCT, Madrid, Hague and Lisbon systems is determined by the Assembly of the corresponding Union.

## **C. VOLUNTARY CONTRIBUTIONS, GIFTS AND DONATIONS**

### **Acceptance and purpose**

#### **Regulation 3.11**

Voluntary contributions, gifts and donations, whether or not in cash, may be accepted by the Director General provided that the purposes for which the contributions are made are consistent

with the policies, aims and activities of the Organization and provided that the acceptance of such contributions that directly or indirectly involve significant additional financial liability for the Organization shall require the consent of the General Assembly.

### **Regulation 3.12**

Monies accepted for purposes specified by the donor shall be accounted for in special accounts.

#### **Authority and liability**

##### **Rule 103.1**

- (a) In cases other than those approved by the General Assembly, the receipt of any voluntary contribution, gift or donation to be administered by the Organization requires the acceptance of the Controller on behalf of the Director General.
- (b) Voluntary contributions, gifts or donations which directly or indirectly involve additional financial liability for the Organization may be accepted only with the approval of the General Assembly.
- (c) Gifts or donations are to be defined and administered as voluntary contributions.

## **D. MISCELLANEOUS INCOME**

### **Regulation 3.13**

All income except:

- (a) Assessed contributions by Member States,
- (b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems,
- (c) Direct refunds of expenditures made during each year of the financial period,
- (d) Advances or deposits to funds,
- (e) Interest or investment revenue,
- (f) Income from the Arbitration and Mediation Center,
- (g) Income from the sale of publications,

shall be classed as miscellaneous income.

### **Regulation 3.14**

Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported in the annual financial ~~management-report~~statements of the ~~financial period~~year to which they relate.

#### **Reimbursements of expenditures**

##### **Rule 103.2**

- (a) Within the same year of the financial period, reimbursements of actual expenditures incurred may be credited to the accounts against which they were originally charged; reimbursements of actual expenditures incurred in prior ~~financial-periods~~years shall be credited as miscellaneous income.
- (b) Adjustments that arise subsequent to the closing of a special account shall be debited or credited against miscellaneous income in the regular budget.



## **E. RECEIPT OF FUNDS**

### **Receipt and deposit**

#### **Rule 103.3**

- (a) An official receipt shall be issued within two business days of receipt of all cash and negotiable instruments received.
- (b) Only officers designated by the Controller shall be authorized to issue official receipts. If other officers receive money intended for the Organization, they must immediately convey this money to an officer authorized to issue an official receipt.
- (c) All monies received shall be deposited in an official bank account within two business days of receipt.

## **CHAPTER 4: CUSTODY OF FUNDS**

### **A. INTERNAL ACCOUNTS**

#### **General Fund**

##### **Regulation 4.1**

There shall be established a general fund for the purpose of accounting for the expenditures of the Organization. The assessed contributions paid by Member States, fees derived from services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems, miscellaneous income and any advances made from the working capital funds or reserve funds to finance general expenditure, shall be credited to this general fund.

#### **Working capital funds**

##### **Regulation 4.2**

The working capital funds of the Organization and of the Paris, Berne, Madrid, Hague, IPC, Nice, PCT, Lisbon, Locarno and Vienna Unions shall be established in amounts to be determined by the Assemblies of the Member States and of the Unions, each as far as it is concerned.

##### **Regulation 4.3**

The working capital funds shall be used, to the extent possible, as advances to finance budgetary appropriations that are not yet covered by available liquidity and for such other purposes as may be determined by the Assemblies of the Member States and of the Unions, each as far as it is concerned.

##### **Regulation 4.4**

Advances made from the working capital funds to finance budgetary appropriations shall be reimbursed to the working capital funds as soon as and to the extent that income is available for that purpose.

#### **Trust funds and special accounts**

##### **Regulation 4.5**

The purpose and limits of each trust fund and special account shall be clearly defined by the Director General. Such funds and special accounts shall be administered in accordance with the present Regulations.

### **Rule 104.1**

- (a) The establishment, purpose and limits of trust funds and special accounts shall be approved on behalf of the Director General by the Controller. The Controller is authorized to levy a charge on trust funds and special accounts. This charge shall be used to reimburse all, or part of, the indirect costs incurred by the Organization in respect of the generation and administration of trust funds and special accounts. All direct costs of the implementation of programs that are financed by trust funds and special accounts shall be charged against the relevant trust fund and special account.
- (b) The Controller may provide authorization for the utilization of voluntary contributions up to the amounts received in cash.

## **Surpluses and deficits; Reserve Funds**

### **Regulation 4.6**

The use, other than for the covering of any deficits, of any of the reserve funds shall be approved in accordance with WIPO's policy on reserves~~is a matter for the decision of the General Assembly of WIPO or the Assembly of the Union concerned, as the case may be.~~

### **Regulation 4.7**

If, after the closure of the financial period, any Union shows a surplus of income, such surplus shall be accounted for under the reserve funds, unless otherwise decided by the General Assembly or the Assembly of the Union concerned.

### **Regulation 4.8**

If, after the closure of the financial period, any Union shows a deficit, not coverable out of reserve funds, the General Assembly of WIPO or the Assemblies of the interested Unions, as the case may be, shall decide upon measures to redress the financial situation.

## **B. BANKING**

### **Bank accounts, authority and policy**

#### **Regulation 4.9**

The Director General shall designate, after competitive bidding or any other applicable procurement procedure, the bank or banks in which the funds of the Organization shall be kept.

### **Rule 104.2**

The Controller shall designate the banks in which the funds of the Organization shall be kept, shall establish all official bank accounts required for the transaction of the Organization's business and shall designate those officers to whom signatory authority is delegated for the operation of those accounts. The Controller shall also authorize all bank account closures. The Organization's bank accounts shall be operated in accordance with the following guidelines:

- (a) Bank accounts shall be designated "official accounts of the World Intellectual Property Organization (WIPO)" and the relevant authority shall be notified that those accounts are exempt from all taxation.
- (b) Banks shall be required to provide promptly monthly statements.
- (c) Two signatures, or the electronic equivalent, shall be required on all checks and other withdrawal instructions, including electronic modes of payment.

(d) All banks shall be required to recognize that the Controller is authorized to receive, upon request or as promptly as practicable, all information pertaining to official bank accounts of the Organization.

## **Bank signatories**

### **Rule 104.3**

Bank signatory authority and responsibility is assigned on a personal basis and cannot be delegated. Bank signatories cannot exercise the approving functions assigned in accordance with Rule 105.7. Designated bank signatories must:

- (a) Ensure that there are sufficient funds in the bank account when checks and other payment instructions are presented for payment.
- (b) Verify that all checks and other payment instructions are dated and drawn to the order of the named payee approved by an approving officer (designated in accordance with Rule 105.7).
- (c) Ensure that checks and other banking instruments are properly safeguarded and that when they are obsolete they are destroyed in accordance with Rule 106.13.

## **Exchange of currencies**

### **Rule 104.4**

Officers responsible for the operation of WIPO bank accounts shall proceed to exchange all payments received in currencies other than the Swiss franc into Swiss francs except when the other currencies are necessary for the transaction of official business of the Organization in the foreseeable future. ~~Policies and procedures for exchange of currencies shall be established in detail through appropriate Office Instructions.~~

## **Remittances to External Offices**

### **Rule 104.5**

The External Offices of the Organization shall obtain their funds through remittances from Headquarters. In the absence of a special authorization from the Controller, those remittances shall not exceed the amount required to bring cash balances up to the levels necessary to meet the recipient liaison office's estimated cash requirements for the next two and a half months.

## **Cash advances**

### **Rule 104.6**

- (a) Petty cash advances may be made only by and to officers designated for this purpose by the Controller.
- (b) The relevant accounts shall be maintained on an imprest system and the amount and purpose of each advance shall be defined by the Controller.
- (c) The Controller may approve other cash advances as may be permitted by the Financial Regulations and Rules and Financial Instructions issued by the Controller and as may otherwise be authorized in writing by him or her.

### **Rule 104.7**

Officers to whom cash advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash so advanced and must be in a position to account for these advances at all times. They shall submit monthly accounts unless otherwise directed by the Controller.

## **Payments**

### **Rule 104.8**

- (a) All payments shall be made by check, by wire transfer or by electronic funds transfer except to the extent that cash payments, or their equivalent, are authorized by the Controller.
- (b) Payments shall be recorded in the accounts as at the date on which they are made, that is, when the check is issued, transfer is effected or cash, or its equivalent, is paid out.
- (c) Except where a paid check is returned by the bank or a debit advice is received from the bank, a payee's written receipt shall be obtained for all payments.

## **Reconciliation of bank accounts**

### **Rule 104.9**

Every month all financial transactions, including bank charges and commissions, must be reconciled with the information submitted by banks in accordance with Rule 104.2. This reconciliation must be performed or validated by an officer playing no actual part in the receipt or payment of funds.

## **C. INVESTMENTS**

### **Authority, responsibility and policy**

#### **Regulation 4.10**

The Director General may make short-term investments of money not needed for immediate requirements in accordance with the Organization's investment policy, as approved by the Member States, and shall inform the Program and Budget Committee regularly of any such investments.

#### **Regulation 4.11**

The Director General may make long-term investments of monies standing to the credit of the Organization in accordance with the Organization's investment policy, as approved by the Member States, and shall inform the Program and Budget Committee regularly of any such investments. In this regard, the Director General may seek the advice of an Advisory Committee on Investments composed of members appointed by the Director General including from persons outside the Organization having substantial experience in the financial sector.

### **Rule 104.10**

- (a) The authority to make and prudently manage investments in accordance with the investment policy approved by the Member States under Regulations 4.10 and 4.11, is delegated to the Controller.
- (b) The Controller shall ensure, including by establishing appropriate guidelines, that funds are held in such currencies and invested in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Organization's cash-flow requirements. In addition to these criteria, investments as well as the currencies in which they are denominated shall be selected by the Controller on the basis of the investment policy approved by the Member States under Regulations 4.10 and 4.11.

### **Rule 104.11**

Investments shall be recorded in a ledger which shall show all the relevant details for each investment, including, for example, face value, cost, date of maturity, place of deposit, proceeds of sale and income earned.

**Rule 104.12**

- (a) All investments shall be made through and maintained by recognized financial institutions designated by the Controller.
- (b) All investment transactions, including the withdrawal of invested resources, require the authorization and signature of two officers designated for that purpose by the Controller.

**Income**

**Regulation 4.12**

Income derived from short-term or long-term investments shall be accounted for, as required under the applicable accounting standards.

**Losses**

**Rule 104.13**

Any investment losses must be reported at once to the Controller. The Controller may authorize the writing-off of investment losses. A summary statement of investment losses, if any, shall be provided to the External Auditor within three months following the end of each calendar year of the financial period.

**Regulation 4.13**

Any proposal for external borrowing shall be submitted by the Director General, through the Program and Budget Committee, to the General Assembly for approval.

**External borrowing**

**Rule 104.14**

The Controller shall prepare all proposals for external borrowing which shall be submitted by the Director General, through the Program and Budget Committee, to the General Assembly, for its approval.

**CHAPTER 5: UTILIZATION OF FUNDS**

**A. APPROPRIATIONS**

**Authorizations**

**Regulation 5.1**

The appropriations approved by the Assemblies of the Member States and of the Unions, each as far as it is concerned, shall constitute an authorization to the Director General to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved, except as provided for in Regulations 5.5 and 5.6.

**Available period**

**Regulation 5.2**

Appropriations shall be available for obligation during the financial period to which they relate.

### **Regulation 5.3**

Expense accruals shall remain available for twelve months following the end of each year of the financial period to which they relate, to the extent that they are required to cover payments in respect of goods supplied and services rendered in the financial period.

### **Regulation 5.4**

At the end of the twelve-month period provided for in Regulation 5.3 above, any expense accruals of the year financial period in question shall be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

### **Transfers between appropriations**

#### **Regulation 5.5**

The Director General may make transfers from one program of the program and budget to another for any given financial period, up to the limit of five per cent of the amount corresponding to the biennial appropriation of the receiving program, or to one per cent of the total budget, whichever is higher, when such transfers are necessary to ensure the proper functioning of the services. All transfers arising in the first year of the financial period shall be reflected in the revised budget proposals. Those arising in the second year shall be reported to the next sessions of the Program and Budget Committee and the General Assembly.

### **Flexibility adjustments**

#### **Regulation 5.6**

(a) In the implementation of the program and budget, the Director General shall have the flexibility to make upward or downward adjustments to the resources appropriated for the operations of the PCT, Madrid and Hague systems, and for WIPO programs providing administrative support to these operations.

(b) These adjustments shall be made in accordance with the methodology and formula(e) approved by the respective assemblies of the PCT, Madrid and Hague Unions, and presented in the proposed program and budget for the relevant financial period.

### **Contractual commitments against appropriations for future financial periods**

#### **Regulation 5.7**

The Director General may enter into contractual commitments for future financial periods, provided that ~~such commitments~~these:

- (a) are for activities which have been approved by the General Assembly and are expected to continue beyond the end of the current financial period; or
- (b) are authorized by specific decisions of the General Assembly.

#### **Rule 105.1**

In accordance with Regulation 5.7 above, the authority to approve contractual commitments against future financial periods is delegated to the Controller. The Controller shall maintain a record in the accounting records of all such contractual commitments (Rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.

## **Administration of appropriations**

### **Regulation 5.8**

The Director General shall:

- (a) Establish, with the advice of the Program and Budget Committee, the financial rules of the Organization in order to ensure effective and efficient financial management and the exercise of economy.
- (b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods to be paid for have been received and that payments have not previously been made.
- (c) Designate the officers who may receive monies, incur obligations and make payments on behalf of the Organization.
- (d) Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
  - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;
  - (ii) the conformity of obligations and expenditures with the appropriations or other financial provisions approved by the General Assembly or with the purposes and rules relating to specific trust funds;
  - (iii) the effective, efficient and economic use of the resources of the Organization.

## **B. COMMITMENTS, OBLIGATIONS AND EXPENDITURES**

### **Authority and responsibility**

#### **Regulation 5.9**

Obligations for the current financial period or commitments for current and future financial periods shall be incurred only after allocations or other appropriate authorizations have been made in writing under the authority of the Director General.

#### **Rule 105.2**

The utilization of all funds requires the prior authorization of the Controller. The Controller may determine the maximum amount of the appropriations that it would be prudent to make available for allocation taking into account the prospects of payment of assessed contributions, the likely level of income from fees, or any other relevant factors.

#### **Rule 105.3**

Authorizations from the Controller may take the form of:

- (a) An allocation of funds or other authorization issued to a Program Manager to plan activities and to initiate action to commit, obligate and expend specified funds for specified purposes during a specified period.
- (b) A staffing table authorization issued jointly to a Program Manager and the Director of the Human Resources Management Department (HRMD) to enable the Director of HRMD to fill authorized posts based on requests initiated by the Program Manager.

## **Checks and balances**

### **Rule 105.4**

Notwithstanding bank signatory functions assigned in accordance with Rule 104.3, all commitments, obligations and expenditures require at least two approvals, in either conventional or electronic form, as detailed in Rules 105.5 and 105.6 below.

## **Program Managers**

### **Rule 105.5**

(a) Program Managers are responsible for planning, initiating and managing the effective and efficient utilization of resources as approved by the Member States and within the amount allocated by the Controller for the purposes covered by the approval of the Member States for the relevant program. In particular, they are accountable for the delivery of expected results indicated in the approved program and budget or, in the case of extrabudgetary resources, the relevant approval. However, pre-encumbrances, obligations and expenditures initiated by Program Managers shall be reviewed for compliance with relevant policies and procedures, by appropriate officers designated by the Controller ("certifying officers") as per Rule 105.6 below.

(b) Program Managers are designated by the Director General on a personal basis. However, a Program Manager should designate an alternate[s].

## **Certifying officers**

### **Rule 105.6**

(a) Certifying officers are responsible for ensuring that the utilization of resources proposed by Program Managers, including posts, is in compliance with the Financial Regulations and Rules, the Staff Regulations and Rules of the Organization and the Office Instructions issued by the Director General [or other authorized officers](#).

(b) Certifying officers are designated by the Controller. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with Rule 105.7.

## **Approving officers**

### **Rule 105.7**

(a) Approving officers are responsible for approving the making of payments once they have ensured that they are properly due, confirming that the necessary services, supplies or equipment have been received in accordance with the contract, agreement, purchase order or other form of undertaking by which they were ordered. Approving officers must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Controller.

(b) Approving officers are designated by the Controller.

(c) Approving authority and responsibility is assigned on a personal basis and cannot be delegated. An approving officer cannot exercise the certifying functions assigned in accordance with Rule 105.6 or the bank signatory functions assigned in accordance with Rule 104.3.



## **Establishment and amendment of obligations**

### **Rule 105.8**

(a) Apart from the employment of staff against an authorized staffing table and consequential commitments under the Staff Regulations and Rules, no undertaking, including by contract, agreement or purchase order shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts (“pre-encumbrance”). This shall be done through the recording of commitments against which obligations shall be recorded. Relevant payments or disbursements against duly recorded obligations shall be recorded as expenditure. An obligation shall be recorded in the accounting records as accrued during the period set forth in Regulation 5.3 if the goods have been received or services rendered, until such point as it is liquidated or cancelled in accordance with Regulation 5.4.

(b) The Controller may establish a threshold below which pre-encumbrance shall not be required.

(c) The Controller shall establish appropriate procedures to be followed in cases where the cost of relevant goods or services has, for whatever reason, increased in the time that elapses between the establishment of an obligation and the processing of final payment.

## **Review, re-obligation and cancellation of obligations**

### **Rule 105.9**

(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. ~~Obligations that are no longer valid shall be reduced or cancelled from the accounting records accordingly.~~

(b) When any obligation previously recorded in the accounting records is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounting records.

## **Obligating documents**

### **Rule 105.10**

An obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the Organization. All obligations must be supported by an appropriate obligating document.

## ***Ex gratia* payments**

### **Regulation 5.10**

The Director General may make such *ex gratia* payments as are deemed to be necessary in the interest of the Organization, provided that a summary statement of such payments for the calendar year shall be included in the annual financial statements of the Organization. *Ex gratia* payment is a payment made where there is no legal liability to pay, but where the moral obligation is such as to make payment desirable. The total amount of such payments shall not exceed 50,000 Swiss francs in any given financial period.

### **Rule 105.11**

*Ex gratia* payments may be made in cases where, although in the opinion of the Legal Counsel there is no clear legal liability on the part of the Organization, the moral obligation is such as to make payment desirable, in the interest of the Organization. A summary statement of all *ex gratia* payments for the calendar year shall be included in the annual financial statements of the Organization. The approval of the Controller is required for all *ex gratia* payments.

## C. PROCUREMENT

### General principles [and procurement process](#)

#### Regulation 5.11

(a) Procurement functions include all actions necessary for the acquisition, by purchase, lease, or any other appropriate means, of property, including products and real property, and for the acquisition of services, including building works. The following general principles shall be given due consideration:

- (i) Best value for money.
- (ii) Effective and broad competition for the award of contracts.
- (iii) Fairness, integrity and transparency of the procurement process.
- (iv) The best interests of the Organization.
- (v) Prudent procurement practices.

(b) The acquisition of goods and/or services shall be made on the basis of contract award procedures. Methods of solicitation may be formal and/or informal. Solicitations shall be invited by advertisement unless otherwise prescribed. ~~Contract award procedures and methods of solicitation shall be defined in an Office Instruction issued by the Director General.~~ [Any procurement action shall result from:](#)

- (i) [a competitive process; or](#)
- (ii) [a cooperation with other intergovernmental organizations; or](#)
- (iii) [an alternative procedure in accordance with Rule 105.18.](#)

#### Authority and responsibility

##### Rule 105.12

(a) The Director General shall designate a High Level Official (hereinafter referred to as "the High Level Official in charge of Procurement" ("HLOP")), [to whom he or she hereby delegates authority and assigns responsibility for the implementation of the regulatory framework governing](#) ~~responsible for~~ the procurement functions of the Organization, subject to the provisions of Rules 105.6, 105.8, 105.9 and 105.10 concerning the incurrence of financial obligations.

[\(b\) The HLOP may in turn delegate aspects of his/her authority to the Director in charge of procurement \(Authorized Officer\), unless the Director General indicates otherwise.](#)

~~(b)(c)~~ The ~~Director General~~ [HLOP](#) shall establish the composition and terms of reference of a Contracts Review Committee (hereinafter referred to as the "CRC"). The CRC shall render written advice to the HLOP on the procurement actions leading to the award, modification or renewal of procurement contracts. The terms of reference of the CRC shall include the definition of the types and monetary values of the procurement actions that shall be subject to its review.

~~(e)(d)~~ Where the advice of the CRC is required, no final action leading to the award, modification or renewal of a procurement contract may be taken before such advice is received. In cases where the HLOP decides not to accept the advice of the CRC, he or she shall record in writing the reasons for ~~this~~ [the HLOP](#) decision.

~~(d)(e)~~ The ~~Director General~~ [HLOP](#) may, in exceptional cases, and when special guarantees and/or external expertise are required, establish an external and independent *ad hoc* Committee. The ~~Director General~~ [HLOP](#) shall establish the composition and terms of reference of such *ad hoc* Committee and decide whether it may adopt recommendations and/or decisions. Where the recommendation and/or decision of such an *ad hoc* Committee is required, no final action leading to the award, modification or renewal of a procurement

contract may be taken before such recommendation/decision is received by the competent authority ~~within the Organization~~ as defined in their respective mandate.

## **Cooperation**

### **Rule 105.13 (deleted)**

~~The Organization may cooperate with inter-governmental organizations with similar procurement procedures to meet its procurement requirements by entering into agreements for such purposes as appropriate. Such cooperation may include the carrying out of common procurement actions, or the Organization entering into a contract relying on a procurement decision of another inter-governmental organization, or WIPO requesting another inter-governmental organization to carry out procurement activities on its behalf.~~

## **Procurement Competitive process**

### **Rule 105.14**

Procurement contracts shall be awarded to eligible suppliers on the basis of the general principles described in Regulation 5.11 above. The competitive process, when applicable, shall include:

- (a) Identification of potential eligible suppliers.
- (b) Formal methods of solicitation, by means of invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation such as requests for quotations (RFQ).
- (c) Objective and transparent pre-established criteria for the evaluation of tenders.

### **Rule 105.15**

Applicable procedures shall be determined on the basis of the estimated amount of the financial obligation for the Organization and the nature of the requirement.

### **Rule 105.16 (deleted)**

~~(a) An obligation can result from a single requisition, or a series of related requisitions received and processed during the contract term or the calendar year, and includes all contracts and/or purchase orders for the acquisition of goods or services. The HLOP, or the officers to whom he or she will delegate the related authority, shall identify whether requisitions are related and shall take the appropriate procurement action.~~

~~(b) For contracts without a fixed term or subject to renewal, the value of the obligation shall be determined on the basis of an assumed contract duration of one year, measured from the date performance is to begin.~~

### **Rule 105.17**

The ~~Director General~~ HLOP shall establish, through an Office Instruction, procurement general principles and basic rules, including the thresholds for (i) direct purchase; (ii) the informal RFQ procedure; (iii) limited tenders; and (iv) open international tenders. ~~He or she shall also establish the threshold above which the advice of the CRC must be sought.~~

## **Cooperation with other inter-governmental organizations**

### **Rule 105.17bis**

The Organization may cooperate with inter-governmental organizations with similar procurement procedures:

- (a) to carry out common procurement actions, or

(b) in order to optimize the overall resources spent on procurement processes, and under the conditions that procurement processes, goods and services, as well as prospective vendors are of similar nature, to enter into a contract relying on a procurement decision of another inter-governmental organization, or

(c) to request another inter-governmental organization, which has particular expertise in the procurement of specific goods or services or the necessary procurement capacity in a given location, to carry out procurement activities on its behalf, or

(d) to procure from another inter-governmental organization which has particular expertise in the procurement of specific goods or services or has obtained favorable conditions in the procurement of certain goods and services.

### Alternative procedures

#### **Rule 105.18**

(a) The CRC shall render written advice to the HLOP, or to the Authorized Officer as per Rule 105.12(b), on alternative procedures proposed to be made under paragraph (b) of the present Rule, whenever the procurement action is within the scope of its terms of reference.

(b) The HLOP may determine, ~~with the advice of the CRC, when he or she finds such advice necessary,~~ that ~~using formal or informal methods of solicitation~~ a standard competitive process is not in the best interests of the Organization shall not be used for a particular procurement action when:

(a) There is no competitive marketplace for the requirement, such as where a monopoly exists; prices are fixed by legislation or government principle; or the requirement involves a proprietary product or service.

(b) The supplier or the product/service needs to be standardized.

~~(c) The proposed procurement contract arises from a cooperation with other inter-governmental organizations that have similar procurement procedures.~~

(d) Offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered are considered to remain competitive.

(e) Within a reasonable prior period, a formal solicitation for identical products and services has not produced satisfactory results.

(f) The proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition.

(g) There is an emergency which necessitates immediate action (a lack of time resulting from a failure to plan in advance shall not constitute an emergency).

(h) The proposed procurement contract relates to obtaining services that cannot be evaluated objectively.

(i) The proposed procurement action arises from an Agreement with a Governmental entity or non-profit organization (Partnering Entity) establishing a wider cooperation framework with WIPO. Inter-governmental organizations, as referred to in Rule 105.17bis, are expressly excluded from the scope of the present sub-paragraph (i).

(j) The HLOP otherwise determines that a formal or informal solicitation ~~will not give satisfactory results~~ is not in the best interest of the Organization.

### **Rule 105.19**

When a determination is made pursuant to Rule 105.18(b) above, the HLOP shall record in writing the reasons and the applicable process to be used for the ~~in writing and may then award a of the~~ procurement contract, ~~on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms with the requirement at an acceptable price.~~

### **Evaluation**

#### **Rule 105.20**

All offers shall be evaluated on the basis of objective selection criteria in accordance with the present Financial Rules and the general principles and framework enunciated in Regulation 5.11 above.

#### **Rule 105.21 (deleted)**

~~The Director General shall establish, through an Office Instruction, principles and detailed procedures for the award of procurement contracts and/or purchase orders in respect of each form of tender procedure. For the open international tender procedure, the HLOP shall establish an Evaluation Team.~~

### **Contracts**

#### **Rule 105.22**

All procurement actions shall be governed by written documentation.

#### **Rule 105.23 (deleted)**

~~The requirement for the written form of procurement contracts, when applicable, shall not be interpreted to restrict the use of electronic means by parties to meet their respective contractual obligations. Before any electronic means is used by either party, the HLOP shall ensure that the electronic means to be used meet recognized industry standards, in particular in terms of authentication, safety and confidentiality.~~

### **Payments**

#### **Rule 105.24**

Except where normal commercial practice or the interests of the Organization so require, no contract or other form of undertaking shall be made on behalf of the Organization which requires a payment or payments on account, in advance of the delivery of products or the performance of services. Whenever an advance payment is agreed to, the reasons therefor shall be recorded.

#### **Rule 105.25**

The HLOP shall also require that whenever it is possible and/or appropriate, sufficient guarantees be sought and obtained prior to any advance and progress payment being made.

### **Confidentiality**

#### **Rule 105.26**

Throughout the ~~tender~~ duration of the supplier selection process and until the results of that process are officially announced by the relevant officers in charge of procurement, no information about offers or the evaluation process may be divulged by any individual involved in the selection process to any other individual ~~other than those directly involved in the evaluation process, such as responsible members of the Organization's staff and~~

~~employees or authorized external consultants~~ within or outside the Organization, not involved in the evaluation or selection process.

### **Standards of conduct**

#### **Rule 105.27**

Officers of the Organization involved in a procurement ~~action~~ process shall disclose, in advance, any possible conflict of interest that may arise in the course of carrying out their duties. Failure to do so may result in appropriate disciplinary action or other appropriate civil and/or criminal action.

#### **Rule 105.28**

All officers of the Organization who are involved in a procurement action must observe the terms of the Staff Regulations and Staff Rules and the Standards of Conduct applicable to International Civil Servants, in particular the WIPO Staff Regulations and Rules on confidentiality, without prejudice to employees' obligation to report waste, fraud or abuse.

## **D. PROPERTY MANAGEMENT**

### **Authority and responsibility**

#### **Rule 105.29**

(a) The HLOP shall designate the officers responsible for the management of the property of the Organization, and for all systems governing its receipt, recording, utilization, safekeeping, maintenance and disposal, including by sale.

(b) A summary statement of non-expendable property of the Organization shall be provided to the External Auditor not later than three months following the end of each year of the financial period.

### **Property Survey Board**

#### **Rule 105.30**

(a) The Director General shall establish, through an Office Instruction, a Property Survey Board and the composition and terms of reference of such board, which shall include procedures for determining the cause of such loss, damage or other discrepancy, and the disposal action to be taken in accordance with Rules 105.31 and 105.32.

(b) The Property Survey Board shall render written advice to the HLOP in respect of loss, damage or other discrepancy regarding the property of the Organization. Where the advice of the Property Survey Board is required, no final action in respect of WIPO's property loss, damage or other discrepancy may be taken before such advice is received. In cases where the HLOP decides not to accept the advice of the Board, he or she shall record in writing the reasons for that decision.

### **Sale/disposal of property**

#### **Rule 105.31**

Sales of supplies, equipment or other property declared surplus or unserviceable shall be based on competitive bidding, unless the Property Survey Board:

(a) Estimates that the sales value is less than an amount to be specified by the Controller.

(b) Considers that the exchange of property in partial or full payment for replacement equipment or supplies is in the best interest of the Organization.

(c) Determines that the destruction of the surplus or unserviceable material will be more economical or is required by law or by the nature of the property.

(d) Determines that the interests of the Organization will be served through the disposal of the property by gift or by sale at a nominal price to an intergovernmental organization, a Government or governmental agency or some other non-profit organization.

#### **Rule 105.32**

Except as provided for in Rule 105.31, property shall be sold on the basis of payments made on or before delivery.

#### **Physical verification of property**

#### **Rule 105.33**

Officers responsible for the management of the property of the Organization shall perform periodic physical inventories of ~~non-expendable equipment~~ such property for the purposes of ensuring that the accounting records of fixed assets are accurate.

### **CHAPTER 6: ACCOUNTING**

#### **Accounting records**

##### **Regulation 6.1**

The Director General shall maintain and safeguard against damage, destruction, unauthorized access and removal, such accounting records as are necessary for management purposes.

##### **Regulation 6.2**

Appropriate separate accounts shall be maintained for all trust and reserve funds and special accounts.

#### **Rule 106.1**

The accounting records register all financial transactions of the Organization. The purpose of these records is to enable appraisal of the current financial position and performance of the Organization. The structure of the accounting records is defined by the chart of accounts, which is established and maintained by the Controller. The accounting records are used to establish financial reports. In accordance with Regulations 6.1 and 6.2, the accounting records of the Organization shall include detailed, comprehensive and up-to-date records of assets and liabilities for all funds. The accounting records shall consist of:

- (a) Program and budget accounts showing:
  - (i) original appropriations;
  - (ii) appropriations as modified by transfers;
  - (iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;
  - (iv) credits (other than appropriations made available by the General Assembly);
  - (v) expenditures, including disbursements and expense accruals;
  - (vi) balances of allocations and appropriations.
- (b) General ledger accounts showing all cash at banks, investments, receivables and other assets, payables and other liabilities.



- (c) Reserve funds, working capital funds and all trust funds and other special accounts.

### **Authority and responsibility**

#### **Rule 106.2**

The Controller shall be responsible for the organization and proper working of all WIPO accounting systems and designate the officers responsible for performing accounting functions.

### **Accounting bases and standards**

#### **Rule 106.3**

The accounting records shall be maintained to support the preparation of financial reports on different accounting bases as required by the Organization. The program and budget and related reporting in the [program and](#) financial management report are prepared on a modified accrual basis. The annual financial statements are prepared on a full accrual basis in compliance with the accounting standards applicable to the United Nations System. Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all other financial reporting shall be prepared on a full accrual basis.

### **Currency of accounting records**

#### **Regulation 6.3**

The annual financial statements ~~and the financial management report~~ of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.

#### **Rule 106.4**

Except where authorized by the Controller, accounting records shall be maintained in Swiss francs. At External Offices, accounting records may be maintained in the currency of the country in which they are situated, provided that all amounts are recorded both in local currency and the Swiss franc equivalent.

### **Accounting for exchange rate fluctuations**

#### **Rule 106.5**

(a) The Controller shall establish the operational rates of exchange between the Swiss franc and other currencies which shall be derived from the operational rates of exchange of the United Nations. The said operational rates of exchange shall be used for recording all WIPO transactions.

(b) Payments in currencies other than the Swiss franc will be determined in Swiss francs on the basis of the operational rate of exchange prevailing at the time of payment. Any difference between the actual amount received on exchange and the amount that would have been obtained at the operational rate of exchange shall be accounted for as loss or gain on exchange.

### **Accounting for proceeds from the sale of property**

#### **Rule 106.6**

For the purposes of the annual financial statements prepared on a full accrual basis, the gain or loss from the de-recognition of fixed assets (equipment, buildings or intangible assets) shall be included in the surplus or deficit of the statement of financial performance.



## Accounting for contractual commitments against future financial periods

### Rule 106.7

Contractual commitments established against future financial periods~~prior to the financial period to which they pertain~~, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the notes to the financial statements~~management report~~. ~~For the purposes of the annual financial statements, contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements which fall due in future calendar years shall be disclosed in the notes to the financial statements.~~

## Writing off losses of cash, receivables and property

### Regulation 6.4

The Director General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off for the calendar year shall be submitted to the External Auditor with the annual financial statements.

### Rule 106.8

(a) The Controller may, after full investigation, authorize the writing-off of losses of cash and the book value of accounts and notes receivable deemed to be irrecoverable. A summary statement of losses of cash and receivables shall be provided to the External Auditor not later than three months following the end of the calendar year.

(b) The investigation shall in each case fix the responsibility, if any, attaching to any officer(s) of the Organization for the loss or losses. Such officer(s) may be required to reimburse the Organization either partially or in full. Final determination as to all surcharges to be made against such officer(s) as the result of losses will be made by the Controller.

### Rule 106.9

(a) The Controller may, after full investigation, authorize the writing-off of losses of WIPO property and adjust the accounting records in order to bring the balance shown into conformity with actual physical property. A summary statement of losses of non-expendable property shall likewise be provided to the External Auditor not later than three months following the end of the calendar year.

(b) The investigation shall in each case fix the responsibility, if any, attaching to any officer(s) of the Organization for the loss or losses. Such officer(s) may be required to reimburse the Organization either partially or in full. The final determination as to all surcharges to be made against such officer(s) as the result of losses will be made by the Controller.

## Direct and indirect expenses

### Rule 106.10

(a) Any expenditure which is incurred in the exclusive interest of a given Union shall be considered as a "direct expense" of that Union.

(b) Any other expenditure which is incurred to implement the program and budget approved by the Assemblies of the Member States shall be considered as an "indirect expense."

(c) The program and financial management report of the Organization shall provide a clear distinction between direct and indirect expenses.

## Financial reporting

### Regulation 6.5

The annual financial statements for each calendar year of the financial period shall be submitted by the Director General to the External Auditor and the Independent Advisory Oversight Committee no later than March 31 following the end of the calendar year to which they relate.

#### Rule 106.11

(a) Annual financial statements covering each calendar year of the financial period, as at December 31, shall be submitted to the External Auditor and the Independent Advisory Oversight Committee not later than March 31 following the end of the calendar year to which they relate. The annual financial statements shall include all business units of the Organization. Copies of the annual financial statements shall also be transmitted to the Program and Budget Committee. Additional financial statements may be prepared as and when the Controller deems it necessary.

(b) The annual financial statements submitted to the External Auditor and the Independent Advisory Oversight Committee for all accounts shall include:

- (i) a statement of financial position;
- (ii) a statement of financial performance;
- (iii) a statement of changes in net assets;
- (iv) a statement of cash flow;
- (v) a statement of comparison of budget and actual amounts;
- (vi) notes, comprising a summary of significant accounting policies and other explanatory notes.

Subparagraphs (i) to (v) above shall be considered to constitute the primary financial statements.

#### Rule 106.11bis

The annual financial statements of the second year of the biennium shall provide the following:

- (a) The income and expenditures of all funds;
- (b) Credits, if any, other than the appropriations approved for the biennium, together with amounts charged against these, in the form of a comprehensive table;
- (c) Within the discussion and analysis accompanying such statements, financial information for the financial period drawn from the primary financial statements prepared for each calendar year;
- (d) A report on investments, as part of the notes to the financial statements.

### Regulation 6.6 ~~(deleted)~~

~~Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include the following information:~~

- ~~(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;~~
- ~~(b) The income and expenditures of all funds;~~
- ~~(c) The status of appropriations, including:~~
  - ~~(i) the original budget appropriation;~~

- ~~(ii) — the appropriation as modified by any transfers made by the Director General under Regulation 5.5;~~
- ~~(iii) — increases or decreases arising from the flexibility adjustments under Regulation 5.6;~~
- ~~(iv) — credits, if any, other than the appropriations approved by the General Assembly;~~
- ~~(v) — the amounts charged against those appropriations and/or other credits;~~
- ~~(d) Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;~~
- ~~(e) A report on investments;~~
- ~~(f) A statement on the status of contributions of the Member States.~~

~~The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.~~

**Rule 106.12 (deleted)**

~~The Controller shall prepare the financial management report in accordance with Regulation 6.6.~~

**Regulation 6.7**

After the annual audit, the annual financial statements and the report of the External Auditor shall be transmitted to all the interested States. ~~Every two years following the end of the biennium, the financial management report shall also be transmitted to all interested States.~~

**Retention of records**

**Rule 106.13**

The accounting records shall be supported by financial and property records and other documents which are to be retained in appropriate files and for such periods as may be agreed with the External Auditor, after which, on the authority of the Controller, they may be destroyed.

**CHAPTER 7: INTERNAL OVERSIGHT CHARTER**

**Internal Oversight Charter**

**Regulation 7.1**

There shall be an Internal Oversight Division (IOD) to conduct independent internal audit, inspections and investigations in accordance with the provisions of the WIPO Internal Oversight Charter appended to the present Financial Regulations (Annex I).

**CHAPTER 8: EXTERNAL AUDITOR**

**Appointment of the External Auditor**

**Regulation 8.1**

The External Auditor, who shall be the Auditor General (or official holding the equivalent title) of a Member State, shall be appointed by the General Assembly, in the manner decided by the Assembly.

## **Tenure of office of the External Auditor**

### **Regulation 8.2**

The External Auditor shall be appointed for a term of office of six years non renewable consecutively.

### **Regulation 8.3**

If the External Auditor ceases to hold office as Auditor-General (or equivalent title) in his or her own country, his or her tenure of office shall thereupon be terminated and he or she shall be succeeded as External Auditor by his or her successor as Auditor-General. The External Auditor may not otherwise be removed during his or her tenure of office except by the General Assembly.

## **Audit standards, scope and operations**

### **Regulation 8.4**

The audit shall be conducted in conformity with generally accepted common international auditing standards and, subject to any special directions of the General Assembly, in accordance with the terms of reference set out in the annex to the present Regulations (Annex II).

### **Regulation 8.5**

The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

### **Regulation 8.6**

The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

### **Regulation 8.7**

The General Assembly may request the External Auditor to perform certain specific examinations and issue separate reports on the results.

## **Facilities**

### **Regulation 8.8**

The Director General shall provide the External Auditor with the facilities they may require in the performance of the audit.

## **Special examination**

### **Regulation 8.9**

For the purpose of making a local or special examination or of effecting economies in the audit cost, the External Auditor may engage the services of any national Auditor-General (or official holding the equivalent title) or commercial public auditors of known repute or any other person or firm which, in the opinion of the External Auditor, is technically qualified.

## **Reporting**

### **Regulation 8.10**

The External Auditor shall issue an opinion on the annual financial statements for each calendar year of the financial period, which shall include such information as the External Auditor deems necessary with regard to matters referred to in Regulation 8.5 and in the annex to the present Regulations referred to in Regulation 8.4.

### **Regulation 8.11**

The reports of the External Auditor on the annual financial statements, together with reports from other audits, shall be transmitted to the General Assembly, to other Assemblies of WIPO Member States and of the Unions through the Program and Budget Committee, together with the audited annual financial statements, in accordance with any directions given by the General Assembly, other Assemblies of WIPO Member States and of the Unions. The Program and Budget Committee shall examine the annual financial statements and the audit reports and shall forward them to the General Assembly, to other Assemblies of WIPO Member States and of the Unions, with such comments and recommendations as it deems appropriate.

## **CHAPTER 9: INDEPENDENT ADVISORY OVERSIGHT COMMITTEE**

### **Regulation 9.1**

There shall be an Independent Advisory Oversight Committee to assist Member States in their role of oversight and for better exercise of their governance responsibilities with respect to the various operations of WIPO. The Independent Advisory Oversight Committee shall operate as an independent, expert advisory and external oversight body. The General Assembly shall approve the WIPO Independent Advisory Oversight Committee's terms of reference upon recommendation by the Program and Budget Committee. These terms of reference shall be appended to the present Financial Regulations (Annex III).

## **CHAPTER 10: FINAL PROVISIONS**

### **Amendment**

#### **Regulation 10.1**

The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly. Such amendments shall become effective on the date of approval by the General Assembly, unless specified otherwise.

#### **Rule 110.1**

The present Rules may be amended by the Director General in a manner consistent with the Financial Regulations. Such amendments shall become effective on the date determined by the Director General.

[Annexes follow]

## **WIPO INTERNAL OVERSIGHT CHARTER\***

### **A. INTRODUCTION**

1. This Charter constitutes the framework for the Internal Oversight Division (IOD) of the World Intellectual Property Organization (WIPO) and establishes its mission: to examine and evaluate, in an independent manner, WIPO's control and business systems and processes in order to identify good practices and to provide recommendations for improvement. IOD thus provides assurance as well as assistance to Management in the effective discharge of their responsibilities and the achievement of WIPO's mission, goals and objectives. The purpose of this Charter is also to help strengthen accountability, value for money, stewardship, internal control and corporate governance in WIPO.
2. The internal oversight function in WIPO comprises internal audit, evaluation and investigation.

### **B. INTERNAL OVERSIGHT DEFINITIONS AND STANDARDS**

3. In accordance with the definition adopted by the Institute of Internal Auditors (IIA), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
4. The internal audit function in WIPO shall be carried out in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics promulgated by IIA and adopted by the Representatives of Internal Audit Services of the United Nations Organizations, Multilateral Financial Institutions and Associated Intergovernmental Organizations (RIAS).
5. An evaluation is a systematic, objective and impartial assessment of an on-going or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, its efficiency, effectiveness, impact and sustainability. An evaluation should contribute to learning and accountability and provide credible, evidence-based information, enabling the incorporation of findings and recommendations into the decision-making processes of WIPO.
6. Evaluations in WIPO shall be carried out in accordance with the standards developed and adopted by the United Nations Evaluation Group (UNEG).
7. An investigation is a formal fact-finding inquiry to examine allegations of or information concerning misconduct or other wrongdoing involving WIPO personnel in order to determine whether they have occurred and if so, the person or persons responsible. Investigations may also examine alleged wrongdoing by other persons, parties or entities, deemed to be detrimental to WIPO.
8. Investigations in WIPO shall be carried out in accordance with the Uniform Principles and Guidelines for Investigations adopted by the Conference of International Investigators and with WIPO's regulations and rules.

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\* Amended on September 29, 2010, October 9, 2012, September 30, 2014 and October 11, 2016.

### **C. MANDATE**

9. The internal oversight function provides the Management of WIPO with independent, objective assurance, analyses, appraisals, recommendations, lessons learned, advice and information, through the undertaking of internal audits, evaluations and investigations. Its objectives include:

- (a) Identifying means for improving WIPO's relevance, effectiveness, efficiency, and economy of the internal procedures and use of resources,
- (b) Assessing whether cost-effective controls are in place, and
- (c) Assessing compliance with WIPO's Financial Regulations and Rules, Staff Regulations and Rules, relevant General Assembly decisions, the applicable accounting standards, the Standards of Conduct for the International Civil Service, as well as good practice.

### **D. AUTHORITY AND RESPONSIBILITY**

10. The Director, IOD reports administratively to the Director General but is not part of operational management. The Director, IOD enjoys functional and operational independence from Management in the conduct of his/her duties. In the exercise of his/her functions, he/she takes advice from the WIPO Independent Advisory Oversight Committee (IAOC). He/she has the authority to initiate, carry out and report on any action, which he/she considers necessary to fulfil his/her mandate.

11. The Director, IOD and oversight staff shall be independent of all WIPO programs, operations and activities, to ensure impartiality and credibility of the work undertaken.

12. The Director, IOD and oversight staff shall conduct oversight work in a professional, impartial and unbiased manner and in accordance with good practice, standards and norms generally accepted and applied by the United Nations system organizations, as detailed in Section B above.

13. For the performance of his/her duties, the Director, IOD shall have unrestricted, unlimited, direct and prompt access to all WIPO records, officials or personnel, holding any WIPO contractual status, and to all the premises of WIPO. The Director, IOD shall have access to the Chairs of the General Assembly, the Coordination Committee, the Program and Budget Committee and the IAOC.

14. The Director, IOD shall maintain facilities for the submission of complaints by individual staff members as well as any other internal or external parties, concerning alleged misconduct, wrongdoing or irregularities including but not limited to: fraud and corruption, waste, abuse of privileges and immunities, abuse of authority, and violation of WIPO regulations and rules. Notwithstanding the foregoing, the mandate of the Director, IOD normally does not extend to those areas for which separate provision has been made for review, including workplace-related conflicts and grievances, personnel grievances arising from administrative decisions affecting a staff member's terms of appointment, and performance issues and performance-related disagreements. It rests with the Director, IOD to determine whether such matters may involve wrongdoing and should be handled by IOD or whether they should be referred to other internal bodies.

15. The right of all staff and personnel to communicate confidentially with, and provide information to the Director, IOD, without fear of reprisal, shall be guaranteed by the Director General. All WIPO staff members shall take appropriate steps to ensure that the confidentiality of such communications is maintained. This is without prejudice to measures that may be taken under WIPO Staff Regulations and Rules regarding allegations which are intentionally and knowingly false or misleading or made with reckless disregard for accuracy of the information.

16. The Director, IOD shall respect the confidential nature of, and protect from unauthorized disclosure, any information gathered or received in the course of an internal audit, evaluation, or investigation, and shall use such information only in so far as it is necessary for the performance of his/her duties.

17. The Director, IOD shall liaise regularly with all other internal and external providers of assurance services to ensure the proper coordination of activities (External Auditor, Risk Officer, Compliance Officer). The Director, IOD shall also periodically liaise with the Chief Ethics Officer and with the Ombudsperson.

#### **E. CONFLICT OF INTEREST**

18. In the performance of their oversight work, the Director, IOD and oversight staff shall avoid perceived or actual conflicts of interest. The Director, IOD shall report any significant impairment to independence and objectivity, including conflicts of interest, for due consideration of the IAOC.

19. Notwithstanding the foregoing, where allegations of misconduct concern the staff of IOD, the Director, IOD shall seek the advice of the IAOC on how to proceed.

20. Allegations of misconduct against the Director, IOD shall be reported to the Director General, who shall, at the earliest opportunity, but not later than one month, inform the Chair of the Coordination Committee and seek the advice of the IAOC on how to proceed. The IAOC shall conduct or arrange for a preliminary evaluation. Based on its results, the IAOC shall provide a recommendation to the Director General and the Chair of the Coordination Committee on whether to close the case or refer the matter for investigation to an independent external investigative entity. If the Director General and the Chair of the Coordination Committee decide to refer the case to an independent investigative entity, the IAOC shall provide advice on the Terms of Reference of the investigation and on a suitable investigative entity.

21. Allegations of misconduct against WIPO personnel at the Deputy Director General and Assistant Director General levels shall be reported to the Director, IOD, who shall, at the earliest opportunity, but not later than one month, inform the Director General and the Chair of the Coordination Committee.

22. Allegations of misconduct against the Director General shall be reported to the Director, IOD, who shall immediately inform the Chairs of the General Assembly and of the Coordination Committee and seek the advice of the IAOC on how to proceed. The IAOC shall advise the Director IOD on whether to conduct a preliminary evaluation or arrange for a preliminary evaluation by an independent external investigative entity. Based on the results of the preliminary evaluation, the IAOC shall provide a recommendation to the Chairs of the General Assembly and of the Coordination Committee on whether to request the Director, IOD to close the case or to refer the matter for investigation to an independent external investigative entity. In the event the Chairs cannot reach an agreement or propose to deviate from the IAOC recommendation, the Vice-Chairs of the General Assembly and of the Coordination Committee shall be involved in the decision. In case of referral, the IAOC shall also provide advice to the Chairs on the Terms of Reference of the investigation and on a suitable investigative entity.

23. Where the advice of the IAOC is required, such advice shall be provided within one month, unless the complexity of the matter requires more time.

#### **F. DUTIES AND MODALITIES OF WORK**

24. The internal oversight function contributes to the efficient management of the Organization and the accountability of the Director General to the Member States.



25. To carry out his/her mandate, the Director, IOD shall conduct audits, evaluations, and investigations. The types of audits should include, but not be limited to, performance audits, financial audits, and compliance audits.
26. To effectively implement WIPO's internal oversight functions, the Director, IOD shall:
- (a) Establish long and short term internal oversight work plans in coordination with the External Auditor. The annual work plan shall be based, where relevant, on a risk assessment to be carried out at least annually, on which basis work would be prioritized. In preparing the annual work plan, the Director, IOD shall take into account any suggestions received from Management, the IAOC or from Member States. Prior to finalizing the internal oversight plan, the Director, IOD shall submit the draft plan to the IAOC for its review and advice.
  - (b) In consultation with Member States, establish policies for all oversight functions, i.e., internal audit, evaluation, and investigation. The policies shall provide rules and procedures on the access to reports while ensuring rights to due process and the preservation of confidentiality.
  - (c) Prepare, for review by the IAOC, and issue an internal audit manual, an evaluation manual, and an investigation manual. Such manuals shall include the terms of reference of the individual oversight functions and a compilation of applicable procedures. They shall be reviewed every three years or earlier.
  - (d) Establish and maintain follow-up systems to determine whether effective action has been taken in response to oversight recommendations, within a reasonable time. The Director, IOD shall periodically report in writing to Member States, the IAOC and the Director General on situations where adequate, timely corrective action has not been implemented.
  - (e) Liaise and coordinate with the External Auditor and monitor the follow-up of their recommendations.
  - (f) Develop and maintain a quality assurance/improvement program covering all aspects of internal audit, evaluation and investigation, including periodic internal and external reviews and ongoing self-assessments in accordance with the applicable standards. Independent external assessments shall be conducted at least once every five years.
  - (g) Liaise and cooperate with the internal oversight or similar services of other organizations of the United Nations system and of Multilateral Financial Institutions, and represent WIPO in relevant inter-agency meetings.
27. In particular, the Director, IOD shall assess:
- (a) The reliability, effectiveness and integrity of WIPO's internal control mechanisms.
  - (b) The adequacy of organizational structures, systems and processes to ensure that the results WIPO produces are consistent with the objectives established.
  - (c) The effectiveness of WIPO in meeting its objectives and achieving results and, as required, recommending better ways of achieving such results, taking into account good practices and lessons learned.
  - (d) Systems aimed at ensuring compliance with WIPO's regulations, rules, policies and procedures.
  - (e) The effective, efficient and economical use, and the safeguarding of human, financial and material resources of WIPO.

(f) Significant exposure of WIPO to risk and contributing to the improvement of risk management.

28. The Director, IOD shall also undertake investigations into allegations of misconduct or other wrongdoing. The Director, IOD may decide to proactively initiate investigations based on risks identified.

## **G. REPORTING**

29. At the completion of each audit, evaluation or investigation, the Director, IOD shall issue a report, which shall present the objectives, scope, methodology, findings, conclusions, remedial action or recommendations of the specific activity concerned and include, if applicable, recommendations for improvements and lessons learned from the activity. The Director, IOD shall ensure completeness, timeliness, fairness, objectivity and accuracy in the reporting of internal audits, evaluations and investigations.

30. Draft internal audit and evaluation reports shall be presented to the program manager and other relevant officials directly responsible for the program or activity that has been the object of the internal audit or evaluation, who shall be given the opportunity to respond within a reasonable time to be specified in the draft report.

31. Final internal audit and evaluation reports shall reflect any relevant comments from the managers concerned and, if applicable, the related management action plans and timetables. Should the Director, IOD and the program manager be unable to agree on the findings of a draft audit and evaluation report, the final report shall contain the opinion of both the Director, IOD and of the managers concerned.

32. The Director, IOD shall submit final internal audit and evaluation reports to the Director General with a copy to the IAOC and the External Auditor. Upon request, the External Auditor shall be provided with any supporting documentation of internal audit and evaluation reports.

33. The Director, IOD shall publish internal audit and evaluation reports, as well as Management Implication Reports resulting from investigations, on the WIPO website within one month of their issuance. If required to protect security, safety or privacy, the Director, IOD may, at his/her discretion, withhold a report in its entirety or redact parts of it. However, Member States may request access to reports withheld or to the original version of the redacted reports; such access shall be granted under condition of confidentiality at the offices of IOD.

34. Unless otherwise stipulated in this Charter, the Director, IOD shall submit final investigation reports to the Director General with a copy to the Director of the Human Resources Management Department; the External Auditor and the IAOC shall have access to investigation reports upon request.

35. The Director, IOD shall submit final investigation reports involving WIPO personnel at the Deputy Director General and Assistant Director General levels, to the Director General with copies to the Chairs of the General Assembly and of the Coordination Committee, the IAOC and the External Auditor. The Director General shall, at the earliest opportunity, inform the Chairs of the General Assembly and of the Coordination Committee as well as the IAOC and the External Auditor of the final disposition of the case and the reasons thereof. However, in case of termination of appointment, prior consultation of the Coordination Committee is required. In cases where allegations are substantiated, and upon request, Member States shall be provided confidential access to the reports.

36. Final investigation reports concerning the Director, IOD, shall be submitted to the Director General, with copies to the Chairs of the General Assembly and of the Coordination Committee, the IAOC, and the External Auditor. The Director General shall, at the earliest opportunity, inform

the Chairs of the General Assembly and of the Coordination Committee as well as the IAOC and the External Auditor, of the final disposition of the case and the reasons thereof.

37. Final investigation reports concerning the Director General shall be submitted to the Chairs of the General Assembly and of the Coordination Committee, with copies to the IAOC, the External Auditor and the Director, IOD.

38. If the investigation referred to in paragraph 37 does not substantiate the allegations made, the Chairs of the General Assembly and of the Coordination Committee shall, after consultation with the IAOC, request the Director, IOD to close the case. If the Director General so requests, the Chair of the General Assembly shall inform Member States of the disposition of the case.

39. If the investigation referred to in paragraph 37 substantiates some or all of the allegations of misconduct, the IAOC shall, at the earliest opportunity, inform Member States, through the Regional Group Coordinators, that such findings, conclusions and/or recommendations have been made. The Chairs of the General Assembly and of the Coordination Committee shall:

- (a) provide Member States with a redacted summary of the report's findings, conclusions, and recommendations, prepared preferably by the investigative entity;
- (b) upon request by a Member State, provide that Member State with a full version of the final investigation report, redacted, preferably by the investigative entity;
- (c) authorize access for Member States under condition of confidentiality to the unredacted final investigation report and the Terms of Reference;
- (d) submit to the Coordination Committee, taking account of written advice provided by the IAOC, a recommendation with detailed reasoning to close the case or to initiate a disciplinary procedure; and
- (e) convene the Coordination Committee within two months of the recommendation to decide whether to close the case or initiate and conduct a disciplinary procedure.

40. Final investigation reports, drafts, materials, findings, conclusions and recommendations are fully confidential, unless disclosure is authorized by the Director, IOD or by the Director General.

41. For oversight matters of a minor or routine nature, which do not require formal reporting, the Director, IOD may issue communications to any concerned WIPO manager.

42. The Director General is responsible for ensuring that all recommendations made by the Director, IOD are responded to promptly, indicating actions taken by Management regarding specific report findings and recommendations.

43. The Director, IOD shall submit, on an annual basis, a report to the Director General, with a copy to the IAOC, regarding the implementation of recommendations made by the External Auditor.

44. The Director, IOD shall submit, on an annual basis, a summary report to the WIPO General Assembly, through the Program and Budget Committee (Annual Report). The Director General and the IAOC shall be provided with a draft version of the Annual Report for their comments, if any. The Annual Report shall give an overview on the internal oversight activities conducted during the reporting period, including the scope and objectives of such activities, the schedule of work undertaken and progress on the implementation of internal oversight recommendations. The Director General may submit comments on the final Annual Report in a separate report as deemed appropriate.

45. The Annual Report shall include the following, *inter alia*:
- (a) A description of significant issues and deficiencies relating to WIPO's activities in general, or a program or operation in particular, disclosed during the period.
  - (b) A description, including the financial impacts, if any, of those investigative cases found to be substantiated and their disposition, such as disciplinary measures, referral to national law enforcement authorities, and other sanctions taken.
  - (c) A description of all high priority internal oversight recommendations made by the Director, IOD during the reporting period.
  - (d) A description of all recommendations which were not accepted by the Director General, together with his/her explanations for not doing so.
  - (e) An identification of high priority recommendations in previous reports on which corrective action has not been completed.
  - (f) Information concerning any significant management decision which in the view of the Director, IOD constitutes a serious risk for the Organization.
  - (g) A summary of any instance where IOD's access to records, personnel and premises was restricted.
  - (h) A summary of the report submitted by the Director, IOD to the Director General regarding the status of implementation of external audit recommendations.
  - (i) A confirmation of the organizational independence of the internal oversight function and information on the scope of the internal oversight activities and the adequacy of resources for the purposes intended.

## **H. RESOURCES**

46. In presenting Program and Budget proposals to the Member States, the Director General shall take into account the need to ensure the operational independence of the internal oversight function and shall provide the necessary resources to enable the Director, IOD to achieve the objectives of his/her mandate. The allocation of financial and human resources including in-sourcing, outsourcing or co-sourcing of services shall be clearly identified in the Program and Budget proposal, which will take into account the advice of the IAOC.

47. The Director, IOD shall ensure that IOD comprises staff, appointed in accordance with WIPO Staff Regulations and Rules, which collectively possess the knowledge, skills and other competencies needed to perform the internal oversight functions. He/she shall promote continuing professional development to meet the requirements of this Charter.

## **I. APPOINTMENT, PERFORMANCE APPRAISAL, AND DISMISSAL OF THE DIRECTOR, IOD**

48. The Director, IOD shall be a person with high qualifications and competence in oversight functions. The recruitment of the Director, IOD shall be based on an open, transparent international selection process to be conducted by the Director General in consultation with the IAOC.

49. The Director, IOD shall be appointed by the Director General after endorsement by the IAOC and the Coordination Committee. The Director, IOD shall have a non-renewable fixed term of office of six years. On completion of the fixed term of office he/she shall not be eligible for any further employment in WIPO. Steps should be taken, where possible, to ensure that the start of the terms of the Director, IOD should not be the same as that of a new External Auditor.

50. The Director General may dismiss the Director, IOD only on specific and documented grounds and after endorsement by the IAOC and the Coordination Committee.

51. The performance appraisal of the Director, IOD shall be made by the Director General after receiving input from and in consultation with the IAOC.

#### **J. REVISION CLAUSE**

52. This Charter shall be reviewed by the Director, IOD and the IAOC, every three years or earlier, if necessary. Any proposed amendments by the Secretariat to the Charter shall be reviewed by the IAOC and the Director General and shall be submitted to the Program and Budget Committee for approval.

[Annex II follows]

### TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT\*

1. The External Auditor shall perform such audit of the accounting records of WIPO and of the Unions administered by WIPO, including all trust funds and special accounts, as he/she deems necessary in order to assure himself:
  - (a) that the annual financial statements are in accord with the books and records of WIPO;
  - (b) that the financial transactions reflected in the annual financial statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
  - (c) that the securities and monies on deposit and on hand have been verified by certificate received direct from WIPO's depositaries or by actual count;
  - (d) that the internal controls are adequate in the light of the extent of reliance placed thereon;
  - (e) that procedures satisfactory to him have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Director General and may proceed to such detailed examination and verification as he/she chooses of all financial records including those relating to supplies and equipment.
3. The External Auditor and his/her staff have free access at all convenient times to all books, records and other documentation which are, in the opinions of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Director General (or his designated senior official) agrees is necessary for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his/her staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Governing Bodies concerned of WIPO and all interested Unions, and of the WIPO Independent Advisory Oversight Committee, to any denial of information classified as privileged which in his/her opinion was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounting records but shall draw to the attention of the Director General for appropriate action any transaction concerning which he/she entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounting records shall be immediately communicated to the Director General.
5. The External Auditor shall express and sign an opinion on the annual financial statements of WIPO. The opinion shall include the following basic elements:
  - (a) the identification of the annual financial statements audited;
  - (b) a reference to the responsibility of WIPO's management and the responsibility of the External Auditor;
  - (c) a reference to the audit standards followed;

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\* Amended on October 9, 2012.

- (d) a description of the work performed;
- (e) an expression of opinion on the annual financial statements as to whether:
  - (i) the annual financial statements present fairly the financial position as at the end of the calendar year and the results of the operations for the calendar year;
  - (ii) the annual financial statements were prepared in accordance with the stated accounting policies; and
  - (iii) the accounting policies were applied on a basis consistent with that of the preceding calendar year.
- (f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
- (g) the date of the opinion;
- (h) the External Auditor's name and position; and
- (i) should it be necessary, a reference to the report of the External Auditor on the annual financial statements.

6. The Report of the External Auditor on the financial operations of the calendar year should mention:

- (a) the type and scope of his/her examination;
- (b) matters affecting the completeness or accuracy of the accounting records, including where appropriate:
  - (i) information necessary to the correct interpretation of the accounting records;
  - (ii) any amounts which ought to have been received but which have not been brought to account;
  - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the annual financial statements;
  - (iv) expenditures not properly substantiated;
  - (v) whether proper books of accounts have been kept. Where, in the presentation of the annual financial statements, there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
- (c) other matters which should be brought to the notice of the Governing Bodies concerned of WIPO and all interested Unions, such as:
  - (i) cases of fraud or presumptive fraud;
  - (ii) wasteful or improper expenditure of WIPO's money or other assets (notwithstanding that the accounting for the transaction may be correct);
  - (iii) expenditure likely to commit WIPO to further outlay on a large scale;
  - (iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
  - (v) expenditure not in accordance with the intention of the Governing Bodies concerned of WIPO and all interested Unions after making allowance for duly authorized transfers within the budget;
  - (vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
  - (vii) expenditure not in conformity with the authority which governs it;

(d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to:

(e) transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the Governing Bodies concerned of WIPO and all interested Unions should have early knowledge.

7. The External Auditor may make such observations with respect to his/her findings resulting from the audit and such comments on the Director General's financial report as he/she deems appropriate to the Governing Bodies concerned of WIPO and all interested Unions or the Director General.

8. Whenever the scope of audit of the External Auditor is restricted, or whenever the External Auditor is unable to obtain sufficient evidence, he/she shall refer to the matter in his/her opinion and report, making clear the reasons for his/her comments and the effect on the financial position and the financial transactions as recorded.

9. In no case shall the External Auditor include criticism in his/her Report without first allowing the Director General an adequate opportunity of explanation on the matter under observation.

[Annex III follows]



**TERMS OF REFERENCE OF  
THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE\***

**A. PREAMBLE**

1. In September 2005, the WIPO General Assembly approved the establishment of a WIPO Audit Committee. In September 2010, the WIPO General Assembly approved a change to the title of the Committee to the Independent Advisory Oversight Committee (IAOC) and amended its composition and rotation procedures.

**B. FUNCTIONS AND RESPONSIBILITIES**

2. The IAOC, a subsidiary body of the General Assembly and of the Program and Budget Committee, is an independent, expert advisory and external oversight body established to provide assurance to Member States on the adequacy and effectiveness of internal controls and of internal and external oversight at WIPO. It aims to assist Member States in their role of oversight and in exercising their governance responsibilities with respect to the various operations of WIPO. Its mandate is as follows:

- (a) Promoting internal control by:
  - (i) Systematically appraising Management's actions to maintain and operate adequate and effective internal controls;
  - (ii) Contributing, through its scrutiny function, to maintaining the highest possible standards of financial management and addressing any irregularities;
  - (iii) Reviewing the effectiveness of the Financial Regulations and Rules;
  - (iv) Reviewing Management's assessment of and approach to risk;
  - (v) Reviewing and advising on the fraud and corruption prevention policies and on the ethics function, including the code of ethics, financial disclosure, and whistle blower protection.
- (b) Providing assurance to the General Assembly by:
  - (i) Reviewing and monitoring the effectiveness and operational independence of WIPO's internal audit, evaluation and investigation functions;
  - (ii) Reviewing and providing advice on the proposed annual work plans of the Internal Oversight Division and of the Ethics Office;
  - (iii) Exchanging information and views with the External Auditor, including his/her audit plan;
  - (iv) Promoting effective coordination between the internal and external audit function and reviewing the collective coverage of various WIPO functions, including the Internal Oversight Division, the Office of the Ombudsperson, the Ethics Office and the Office of the Controller;
  - (v) Confirming that oversight functions have been carried out to provide reasonable assurance to the General Assembly;

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\* Last amended on October 14, 2015.

- (vi) Providing input to the performance appraisals of the Director, Internal Oversight Division, as provided for in paragraph 45 of the Internal Oversight Charter, and of the Ethics Officer;
  - (vii) Advising the Director General on the appointment and dismissal, if any, of the Director, Internal Oversight Division, as provided for in paragraph 44 of the Internal Oversight Charter, and of the Ethics Officer.
- (c) Overseeing compliance with internal and external oversight recommendations by:
- (i) Monitoring the timeliness, effectiveness and adequacy of Management responses to audit, evaluation and investigation recommendations;
  - (ii) Monitoring the implementation of oversight recommendations;
- (d) Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations:
- (e) Overseeing and supporting investigations:
- (i) In cases of significant impairment to independence and objectivity, including conflicts of interest, the IAOC shall provide advice to the Director, Internal Oversight Division on how to proceed.
  - (ii) In accordance with the Internal Oversight Charter, the IAOC shall provide advice to the Director IOD, on how to proceed in cases of allegations of misconduct against the Director General (DG). If the Director IOD, on grounds of conflict of interest, is unable to evaluate or investigate, the IAOC shall review the allegations and provide advice to the Chair of the General Assembly with a copy to the Chair of the Coordination Committee on how to proceed.
  - (iii) In cases of allegations of misconduct against the Director IOD, the IAOC shall review the allegations and provide advice to the DG and/or the Chair of the Coordination Committee, with a copy to the Chair of the General Assembly, on how to proceed. No investigative proceedings into allegations against the Director IOD shall be initiated without the concurrence of the IAOC.
- (f) The Program and Budget Committee may from time to time request the IAOC to review or oversee particular activities and projects.
- (g) The IAOC shall make recommendations to the Program and Budget Committee on issues within its Terms of Reference, as it considers appropriate and:
- (i) Review, periodically, the contents of the Financial Regulations and Rules including its Annexes “WIPO Internal Oversight Charter” (Annex I), “Terms of Reference Governing External Audit” (Annex II), and “Terms of Reference of the WIPO Independent Advisory Oversight Committee” (Annex III), for compliance with Generally Accepted Standards and with best practice and make recommendations to the Program and Budget Committee.
  - (ii) Review the quality assurance and improvement program of the internal oversight function and the results of its internal self-assessments and independent external reviews, in accordance with the Internal Oversight Charter.

## C. MEMBERSHIP AND QUALIFICATIONS

3. The IAOC shall be composed of seven members, from each of the seven geographical regions of WIPO Member States. The seven members will be nominated by the Program and Budget Committee following a selection process carried out by a Selection Panel set up by the Committee for this purpose, to be assisted by the current IAOC.
4. The rotation mechanism for the IAOC members will be as follows:
  - (i) All members of the IAOC shall be nominated for a term of three years, renewable once. No member of the IAOC shall serve for more than six years in aggregate;
  - (ii) Each member of the IAOC would be replaced by a candidate from the same geographical region that he or she belongs to. If the departing member belongs to a Group that already has another representative, he/she will be replaced by a member originating from the Group(s) not represented in the Committee. However, in case there is no candidate available from the region concerned, who meets the criteria established by the Selection Panel in accordance with the General Assembly decision (recorded in paragraph 30, of document WO/GA/39/14) as contained in paragraphs 14, 15, 21, 22 and 26 of document WO/GA/39/13, then the position would be filled in by the highest ranking candidate irrespective of his or her regional representation;
  - (iii) The selection process as described in paragraph 28 of document WO/GA/39/13 shall apply;
  - (iv) In case of resignation or demise of a member of the IAOC while serving his or her term, a roster/pool of experts identified during the selection process may be used.
5. The Selection Panel, in recommending candidates for nomination by the Program and Budget Committee shall ensure that the candidates possess relevant qualifications and experience, for example, in auditing, evaluation, accounting, risk management, legal affairs, information technology, human resources management and other financial and administrative matters. Expertise as well as geographical distribution and rotation should guide the selection process. In making its final recommendations to the Program and Budget Committee, the Selection Panel will try to ensure collegiality, the right mix of skills and expertise, and gender balance in the overall composition of the Committee. Due consideration shall be given to the availability, commitment, professionalism, integrity and independence of the candidates. Candidates must possess a demonstrated working knowledge of WIPO official languages, in particular English or French. When making its recommendations to the Program and Budget Committee the Selection Panel shall provide redacted curricula vitae for all individuals being nominated for appointment to the IAOC.
6. The IAOC should collectively possess the following competencies:
  - (a) Technical or specialist knowledge of issues pertinent to the Organization's business;
  - (b) Experience of managing organizations of similar size and complexity;
  - (c) Understanding of the wider relevant environments in which the Organization operates, including its objectives, culture and structure;
  - (d) Detailed understanding of the Organization's governance environment and accountability structures;
  - (e) Oversight or management experience at senior level in the United Nations system;
  - (f) International and/or intergovernmental experience.

7. New members should have or should acquire by a structured induction program organized by the WIPO Secretariat in consultation and with the participation of Member States an understanding of the objectives of the Organization, its structure and its culture, and the relevant rules governing it.

8. Members shall serve in their personal capacity; they cannot delegate their duties and may not be represented by any other person in the sessions of the Committee. In performing their duties, members shall not seek or receive instructions from any Government or any other party.

9. Members of the IAOC shall sign a statement of disclosure of interest.

10. Members of the IAOC and their immediate family members shall not be eligible for employment at WIPO either directly or indirectly during their mandate period and for up to five years after their mandate period.

#### **D. CHAIRPERSONSHIP**

11. The members of the IAOC shall elect annually a Chairperson and a Vice-Chairperson. In the event of the chairpersonship becoming vacant during the term, the Vice-Chairperson shall assume the office of the Chairperson until the expiration of the predecessor's term and members shall elect another Vice-Chairperson. In the event of both the Chairperson and the Vice-Chairperson being absent, the remaining members may designate an Acting Chairperson from among themselves to conduct the meeting or the entire session.

#### **E. REIMBURSEMENT OF COSTS**

12. Members will not be remunerated for activities undertaken in their capacity as members of the Committee. However, WIPO shall reimburse Committee members, in accordance with WIPO Financial Regulations and Rules, for any travel and subsistence costs that are necessarily incurred in relation to participation in Committee and other official meetings.

#### **F. INDEMNITY OF MEMBERS**

13. Committee members will be indemnified from actions taken against them as a result of activities performed in the course of exercising their responsibilities as members of the Committee, as long as such activities are performed in good faith and with due diligence.

#### **G. MEETINGS AND QUORUM**

14. The IAOC will meet regularly every quarter in formal session at WIPO headquarters. In exigent circumstances, the Committee may decide to consider issues through virtual consultations and come to conclusions that will have the same force as conclusions arrived at during its regular sessions.

15. A minimum of four members of the IAOC are required to be present for a meeting of the Committee to be quorate.

16. The IAOC may invite officials of the WIPO Secretariat or others to attend its sessions.

17. The IAOC shall meet at least once a year in private sessions with the Director, Internal Oversight Division, the Ethics Officer, the Ombudsperson and the External Auditor, respectively.

## **H. REPORTING AND REVIEW**

18. The IAOC shall keep Member States informed of its work on a regular basis. In particular, following each of its formal sessions the Committee shall organize an information meeting with representatives of WIPO Member States and submit a report to the Program and Budget Committee.

19. Based on its review of the internal oversight and external audit functions of WIPO and its interactions with the Secretariat, the IAOC shall submit an annual report to the Program and Budget Committee and to the WIPO General Assembly.

20. The IAOC shall consider the reports of the External Auditor presented to the Program and Budget Committee and provide comments for consideration by the Program and Budget Committee to facilitate its report to the General Assembly as provided for in Financial Regulation 8.11. To this end, the IAOC shall receive a signed copy of the External Auditor's Report at least four weeks prior to the session of the Program and Budget Committee.

21. The Chairperson or other members designated by the Chairperson shall attend *ex officio*, relevant meetings of the General Assembly and of the Program and Budget Committee. At the invitation of other WIPO committees, the Chairperson or other members designated by the Chairperson may attend meetings of such committees.

## **I. SELF-ASSESSMENT**

22. The IAOC shall perform, at least every two years, a self-assessment relative to the Committee's purpose and mandate to ensure it is operating effectively.

## **J. THE SECRETARY OF THE COMMITTEE**

23. The WIPO Secretariat shall designate a Secretary to the IAOC who shall provide logistical and technical assistance to the Committee.

24. Such assistance entails preparing for and attending the sessions of the Committee and assisting with preparing draft reports or any correspondence. Such assistance may also entail research and background position papers in preparation for the sessions of the Committee, as may be requested by the Committee.

25. The performance appraisal of the IAOC Secretary shall be done with input from and in consultation with the Chairperson of the IAOC.

## **K. BUDGET**

26. WIPO shall include in its biennial budget a specific allocation for the IAOC, providing for the costs associated with the Committee's mandated activities, namely four formal sessions of four to five days each in principle, attendance by IAOC members at Program and Budget Committee sessions, at the General Assembly, and at other meetings as required, support by the IAOC Secretary, and, as required, external consultancies.

## **L. INFORMATION REQUIREMENTS**

27. Well in advance of each session, the WIPO Secretariat shall provide the Committee with documents and information related to its Agenda, and any other relevant information. The Committee shall have unhindered access to all staff and consultants of the Organization, as well as access to records.

**M. AMENDMENTS TO THE TERMS OF REFERENCE**

28. Previous revisions to these Terms of Reference have been approved by the WIPO General Assembly in September 2007, September 2010, September 2011, and October 2012. The latest revision (contained in document WO/PBC/24/4) has been approved by the WIPO General Assembly in October 2015.

29. Member States will review, every three years, the mandate, functioning, membership, selection and rotation of the IAOC. However, Member States retain the possibility to ask for this review to be put on the agenda of any session of the Program and Budget Committee.

[End of Annex III and of document]