

WIPO Independent Advisory Oversight Committee

Twenty-First Session
Geneva, May 23 to 26, 2011

Report

adopted by the Independent Advisory Oversight Committee

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INTRODUCTION

1. The twenty-first session of the WIPO Independent Advisory Oversight Committee (hereinafter referred to as “the Committee” or “IAOC”) took place from May 23 to 26, 2011. Present were Ms. Maria Beatriz Sanz Redrado (Chair), Mr. Fernando Nikitin (Vice Chair), Messrs. Anol N. Chatterji, George Haddad, Nikolay V. Lozinskiy, Ma Fang and Ms. Mary T. Ncube. Messrs. Kjell Larsson and Gian Piero Roz had sent apologies for their absence.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

2. The Committee adopted the draft Agenda without modifications (see Annex I).

AGENDA ITEM 2: EXECUTIVE SESSION

A. IAOC Working Methods

3. Recalling its role “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”,¹ the Committee discussed and agreed upon a set of high level IAOC objectives and attributes to guide its work, with a view to delivering, *inter alia*, increased assurance to Member States on the appropriateness and effectiveness of WIPO internal controls. A statement of the IAOC’s vision and mission, and a roadmap, is attached to the current report as Annex II.
4. The Committee believed that a key priority was a clearer establishment of IAOC functional relationships, including the triangular relationship between the IAOC and the external and internal audit functions. To this end, and in line with a recommendation made at the Committee’s 19th session to the Program and Budget Committee (PBC) “for a coordinated and independent review of the Internal Audit Charter and of the Terms of Reference of the External Auditor and of the IAOC”,² the Committee proposed revisions to Annexes of WIPO’s Financial Regulations and Rules (FRR), namely: Annex I “WIPO Internal Oversight Charter”; Annex II “Terms of Reference Governing External Audit”; and, Annex III “Terms of Reference of the WIPO Independent Oversight Committee”. The proposed revisions are attached to the present report as Annex III for consideration, in due course, by the incoming External Auditor and Director of Internal Audit and Oversight, and by WIPO Member States.

B. Follow-up of IAOC Recommendations since 2006

5. Following its 20th session, and pursuant to a recommendation at the Committee’s 19th session,³ the IAOC had reviewed recommendations made by the Committee since its establishment using a risk-based approach, ranking all recommendations according to a likelihood and impact matrix (see table overleaf). As a result of this ranking, the IAOC had identified 11 recommendations considered to be of very high risk.

¹ WO/GA/35/15, Annex I

² WO/IAOC/19/2 Rev., paragraph 70

³ WO/IAOC/19/2 Rev., paragraph 71(g)

Impact → Likelihood ↓	1 – Low	2 – Somewhat	3 – Medium	4 – High	5 – Very High	Total
5 – Very High			1			1
4 – High				96	11	107
3 – Medium			16	3		19
2 – Somewhat		1	5			6
1 – Low	2	2	34	16	120	174
Total	2	3	56	115	131	307

Matrix ranking of Committee recommendations

6. The Committee's review was limited by the fact that it was not possible to ascertain from the oversight recommendations follow-up spreadsheet whether the closure by the Secretariat of these 11 very high risk recommendations was fully justified. The Committee therefore decided to:
- seek assertions from the Director General on the 11 high risk recommendations, to be transmitted to the Committee in time for it to resume its review at its next session in August 2011; and,
 - request the Internal Audit and Oversight Division (IAOD) to carry out the respective due diligence verification work on the Committee's recommendations and provide the Committee with a residual risk analysis.
7. In undertaking its review, the Committee agreed that, in line with best practice, a risk-based approach to the follow-up of oversight recommendations in general should be adopted at WIPO, to be aligned with and as an addition to the procedures, roles and responsibilities set out in Office Instruction No. 16/2010 "Implementation of Oversight Recommendations. Reporting Procedures, Roles and Responsibilities." The Committee further agreed that a coordinated approach should be adopted by the internal and external auditors and, to this extent, would interact with them.

AGENDA ITEM 3: MEETING WITH THE DIRECTOR GENERAL

8. The Committee was pleased to meet again with the Director General and to be briefed on major risks at the strategic level and mitigating measures to: (1) safeguard confidential data, especially through ICT measures; (2) facilitate the multilateral economic rule making process; (3) ensure the integrity of policy making processes; (4) ensure WIPO can keep pace with the external environment; and, (5) address the impact of the Internet on IP (Digital Challenge). Discussion and an exchange of views followed.

AGENDA ITEM 4: RISK MANAGEMENT AND INTERNAL CONTROLS

9. Documents presented to the Committee under this Item are listed in Annex IV.
10. The Committee was also pleased to be briefed on risk management at the systems and operational levels through presentations and detailed interaction with the Assistant Director General for Administration and Management and members of his team, including the Chief Financial Officer (Controller) and the Director, Resource Planning, Program Management and Performance Division, as well as the Chief Information Officer, the Director of the Internal Audit and Oversight Division (IAOD), the Director of the PCT Operations Division and the Director of the Procurement and Travel Division.
11. The Committee noted that information on risk management presented to the Committee by Management and the Director of IAOD, respectively, differed substantially and needs to be harmonized to the extent possible. Whereas the Director General and Management showed a clear awareness, understanding and overall approach to managing the main risks faced at WIPO, the Director of IAOD reported that WIPO is operating with a very high level of risk, which in his view was not recommended.
12. The Assistant Director General, assisted by his team, presented the Risk Management Framework being introduced at WIPO as part of the Strategic Realignment Program (SRP) initiatives Nos. 5 and 15.
13. The Committee agreed that, in general, the Framework represents a substantial improvement for risk management at WIPO and that this approach is aligned with the standards prescribed by for internal control by the International Organization of Supreme Audit Institutions (INTOSAI) as well as the Institute of Internal Auditors (IIA). However, the Framework did not clearly mention internal controls as a risk mitigation measure and internal audit as instrumental to provide the Senior Management Team with assurance that the internal controls are appropriate, in place and actually operating. Management agreed with the Committee that internal control and internal audit should be included as components of the Risk Management Framework and that it would review if these have been adequately reflected in the Framework. The Committee decided to follow up on these issues at its next meeting in August, and also on the system for arriving at specific "risk appetite" for the different activities at WIPO.
14. With respect to IAOD, the Committee noted that the initial biennial planning of Internal Audit Unit had been carried out using a risk assessment of the WIPO audit universe. This assessment classified 35% of the audit universe as high risk area. The Committee further noted that there had been limited coverage of the plan for high risk areas. While expressing concern about that lack of coverage, the Committee was unable to take a position because: (1) no document exists at WIPO quantifying (for example, in monetary terms, etc.) what constitutes high risk in the WIPO context; (2) it was unclear the extent to which IAOD's assessment of what constituted high risk was shared by Management; and, (3) the Committee could not ascertain the extent to which alternative resources, for example through consultants etc., could have been used to provide greater coverage. In this regard, the Director of IAOD confirmed that a high percentage of IAOD resources were allocated to investigations.
15. With respect to resources, the Committee was updated on the overall staffing situation of IAOD: two new staff had recently been recruited, namely a Head of the Evaluation Section, who would be in post on July 1, 2011, and a Head of the Internal Audit Section, who was already in post being the former Senior Internal Auditor at WIPO; a Selection Board had been set up for recruitment of a Head of the Investigation Unit (currently led by an Acting Head); approval had been given by the Director General for the hiring of two

consultant investigators; approval had also been given for a Divisional headcount of 11, the latter of which had been translated into a proposal for the draft Program and Budget for the 2012/13 biennium of seven Professional posts and an allocation for two short-term administrative staff, a consultant auditor and a consultant investigator. The Director of IAOD noted that the seven Professional posts proposed in the draft Program and Budget 2012/13 were at the level that the Division originally had in 2008/09.

16. The Committee agreed that IAOD annual plans should be a standing item until a level of comfort with the coverage of the collective assurance activities is reached. Additional information is requested from the Secretariat in time for its next meeting in August, including a position paper from the Director of IAOD on: (1) how high risk is quantified in the WIPO context (for example, in monetary terms, etc.); (2) the process used to incorporate input from Management on risk into IAOD's assessment; and, (3) options for increasing coverage of high risk audits, for example, through co-sourcing or outsourcing.
17. The Committee also agreed that information security should be a standing item until such time as it receives an updated formalized analysis showing that residual risks have been substantially addressed by remediation plans and that adequate due diligence has been performed by IAOD. The Committee expects to receive additional information on this issue in time for its next meeting in August 2011.

Recommendations

18. In view of differences noted in paragraph 11 above, and in accordance with professional standards recommendations,⁴ the IAOD annual plan should take into account input from senior management on risk perceptions and be discussed with the Committee before being submitted for approval.
19. Management should implement the inclusion of internal control and internal audit as key components of the Risk Management Framework.

AGENDA ITEM 5: FOLLOW UP ON OVERSIGHT RECOMMENDATIONS

20. Documents presented to the Committee under this Item are listed in Annex IV.
21. The Committee's discussions with the Director of IAOD focused on two issues, namely IAOC's proposal for adoption of a risk-based approach to oversight recommendations and the need and responsibility for due diligence in follow-up on the recommendations.
22. The Director of IAOD welcomed the proposal for a risk-based approach, which would enable IOAD to concentrate its efforts on a sub-set of recommendations. With respect to due diligence in following up on the recommendations, he confirmed to the Committee that IAOD carried out little substantive work and that, when done, it was within the context of the next full audit. The Committee noted that only one follow up audit had been undertaken by IAOD since it began issuing internal audit reports in 2007. The Director of IAOD further stated that, in his view, Program Managers were responsible for recommendations in their areas and there was a presumption that the information provided by them was accurate.

⁴ Practice Advisories 2110-1 (linking the audit plan to risk and exposures), 2110-2 (using risk management process in internal audit planning) and 2020-1 (communication and approval)

23. While agreeing that responsibility for taking action on recommendations belonged to Program Managers, and ultimately to the Director General, the Committee recalled that internal audit standards⁵ require that implementation of oversight recommendations should be subject to independent validation. The Committee was concerned that, in reality, it received no assurance from IAOD that recommendations had been properly addressed by introduction of appropriate remedial measures due to the constraints mentioned by the Director of IAOD.

Recommendations

24. A risk-based approach should be adopted at WIPO for oversight recommendations with follow up on implementation of recommendations considered to be of high risk to the Organization.
25. Following discussions with Management, preferably at the WIPO ICT Board level, IAOD should provide the Committee with an update on its Internal Audit Report IA/03/2010 "Follow Up Audit of IT Security and Access Controls", to include clarification on all outstanding information security related assurance activities.
26. Internal audit reports should continue to be presented to the Committee in an ongoing manner, and should always contain senior management responses to the recommendations in the report.

AGENDA ITEM 6: ETHICS (SRP INITIATIVE NO. 17)

27. Documents presented to the Committee under this Item are listed in Annex IV.
28. The Committee met with the Executive Director and Chief of Staff, the Chief Ethics Officer and a consultant from the SRP Project Management Officer.
29. The Chief of Staff advised the Committee that development of the ethics framework at WIPO was a major SRP initiative, which needed to be seen in the larger context of the Director General's commitment to the principle of change management and to changing the culture at WIPO. Elements of these initiatives include the enhancement of the Ombudsman function and oversight functions of IAOD, in addition to the establishment of a comprehensive integrity and ethics system at WIPO.
30. The Committee was informed that an Ethics Office had been established in June 2010, with a mandate comprising the four principle components, namely: norm-setting and policy development; promotion, including development and delivery of training; advice to staff members; and implementation activities, including the declaration of interest policy introduced in 2009 and, when developed, of the financial disclosure program and the policy against retaliation.
31. The Chief Ethics Officer noted that there was often confusion on the respective responsibilities of the Ethics Office and human resource related matters and dispute resolution mechanisms. The Office was not intended to replace existing avenues for

⁵ Practice Advisory 2500-1: Monitoring Progress and Practice Advisory 2500.A1-1: Follow-up Process of the Institute of Internal Auditor (IIA) Standards

formal and informal resolution of disputes such as by way of the Ombudsman. Nevertheless, while the Office was not an entry point into the dispute settlement system, it could be a sign post.

32. The Committee was further informed that the Office was currently seeking comments and views from all WIPO personnel on a draft Code of Ethics by mid-June. The draft Code was a short high level statement of principles based on the UN Code, adapted to WIPO circumstances.
33. The Committee will continue to follow closely the SRP initiative for the development of an ethics framework.

Recommendations

34. The WIPO Code of Ethics should be reflected in guidelines that should be developed and subsequently included in the contracts concerning work entrusted to third parties. This should also address concerns relating to sensitive and confidential information.
35. In view of the commercial importance of confidential unreleased information handled by WIPO staff at various levels, mandatory guidance applicable to all levels of staff regarding the use of such information for personal gain should be developed and disseminated. The Committee considers this to be of high reputation risk to the Organization.

AGENDA ITEM 7: NEW CONSTRUCTION PROJECTS

36. The Committee had received a progress report on the New Construction Projects prior to its meeting, as listed in Annex VI. Due to time limitations, it decided to postpone discussion of the New Construction Projects to its next meeting in August.

AGENDA ITEM 8: WIPO FINANCIAL STATEMENTS FOR 2010 AND DRAFT PROGRAM AND BUDGET FOR THE 2012/13 BIENNIUM

37. Documents presented to the Committee under this Item are listed in Annex IV.
38. The Committee met with the External Auditor, as well as the Assistant Director General for Administration and Management and members of his team, including the Chief Financial Officer (Controller) and the Director, Resource Planning, Program Management and Performance Division.
39. The Committee noted that the External Auditor is yet to finalize the audit report on the Financial Statements, which will be issued to Member States as provided for in the WIPO Financial Regulations and Rules (FRR).
40. With respect to the draft Program and Budget for the 2012/13 Biennium, the Committee was informed of changes to the form of presentation of the draft Program and Budget in line with a Results Based Management approach. For the first time, the draft Program and Budget showed financial information linked to results, which were linked to the Organization's strategic goals. The Committee was also informed that WIPO's Medium Term Strategic Plan (MTSP) had set a direction for the next three biennia.

41. The Committee noted that as part of showing financial information linked to results, the mainstreaming of development is evidenced by the development expenditure share of each expected result.
42. The Committee noted that the draft Program and Budget 2012/13 represented a tangible improvement over earlier Program and Budgets in terms of definitions of the results and the clarity of the indicators.
43. The Committee also reviewed the proposal for IAOD resourcing contained in the draft Program and Budget 2012/13. In its opinion, the link between implementation strategies and the results framework was not apparent. The expected results appeared to be more a reference to “a process” rather than concrete outcomes emanating from specific activities. On the other hand, the “performance measures” were not an adequate tool to measure achievements and indicated rather that a process was taking place.

Recommendations

44. A robust system of data collection to measure the indicators should be established.
45. The current efforts to link financial information with results should be intensified and developed further. This should eventually result in reporting on program performance linked to financial appropriations.
46. The IAOD results framework should cover the various areas falling within IAOD's terms of reference i.e., management audits and inspections.

AGENDA ITEM 9: WIPO DEVELOPMENT AGENDA

47. The Committee met with the Deputy Director General, Development Sector and the Director of the Development Agenda Coordination Division and benefited from an induction on the WIPO Development Agenda. (See also paragraph 41 above).

AGENDA ITEM 10: INFORMATION SESSION FOR MEMBER STATES

48. In line with a decision by Member States,⁶ an IAOC Information Session for Member States was held, attended by representatives of 23 Member States.
49. The Committee made a short presentation outlining its observations on risk management and internal controls at WIPO (see Annex V) and briefed Member States on other issues during its 21st session, as summarized in the body of the present report.
50. Discussion and an exchange of views followed, including on the possible alignment of the Committee's meeting agendas with the WIPO governing body meeting cycles.

⁶ Document WO/GA/39/13, Annex, paragraph 3(ii)

AGENDA ITEM 11: OTHER MATTERS

A. Selection of the Director of the Internal Audit and Oversight Division

51. It was agreed with the Secretariat that the Committee will have an active role in selection of the new Director of the Internal Audit and Oversight Division.

B. Next Meeting

52. The Committee's next meeting is scheduled to take place from Tuesday, August 30 to Friday, September 2, 2011.

53. Subject to further discussion by the Committee, the draft Agenda for that meeting is anticipated to include, *inter alia*:

1. Meeting with the Director General and Senior Management Team
2. Meeting with the External Auditor (Audited 2010 Financial Statements and Report to Management)
3. Risk Management and Internal Controls
 - Internal Audit and Oversight Division
 - Strategic Realignment Program initiatives
 - Follow-up on Information Security
4. Follow up on Oversight Recommendations:
 - Management response on:
 - 11 recommendations from Committee backlog ranked as of very high risk
 - Recommendations made at the Committee's 21st session
 - Analysis of 96 recommendations from backlog ranked as of high risk
5. Office of the Ombudsman
6. New Construction Projects
7. Information Session for WIPO Member States
8. Other Matters

[Annex I follows]



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WIPO Independent Advisory Oversight Committee

Twenty-First Session
Geneva, May 23 to 26, 2011

AGENDA

adopted by the WIPO Independent Advisory Oversight Committee

1. Adoption of the Agenda
2. Executive Session
3. Meeting with the Director General
4. Risk Management and Internal Controls:
 - A. Internal Audit and Oversight Division
 - IAOD Annual Work Plan
 - Status of Annual Work Plan
 - Risk Assessment supporting IAOD Plan
 - IAOD Key Performance Indicators
 - Follow-up on residual risks identified in internal audit reports
 - B. Strategic Realignment Program (SRP)
 - Presentation on SRP Risk Management
 - SRP Initiative No. 5: Enterprise Resource Planning (ERP) System.
 - Presentation on Risk Management of the Procurement and Assets Modules
 - SRP Initiative No. 15: Internal Control System

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C. Patent Cooperation Treaty (PCT) System

Presentation on PCT Risk Management and Related Internal Controls

5. Follow-up on Oversight Recommendations
6. Ethics (SRP Initiative No. 17)
7. New Construction Projects
8. WIPO Financial Statements for 2010 and draft Program and Budget for the 2012/13 Biennium
9. WIPO Development Agenda
10. Information Session for WIPO Member States
11. Other Matters

[Annex II follows]

ANNEX II: MISSION, VISION AND ROADMAP OF THE
WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE

Mission: The IAOC is “an independent, expert advisory and external oversight body. It aims 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”.⁷

Vision: The vision of the IAOC is to provide independent, objective, professional, and increasingly value added assurance to WIPO Member States, in line with best international standards and professional practice, and the UN system context.

Roadmap

RESPONSIBILITIES	2011	2012	2013	2014
<p>IAOC</p> <p>Keep Member States informed of its work on a regular basis. In particular, following each of its formal meetings the Committee shall prepare a report for circulation to the Program and Budget Committee.</p> <p>Member States will review, every three years, the mandate, functioning, membership, selection and rotation of the Independent Advisory Oversight Committee. 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.</p>	<p>Quarterly meetings and report</p> <p>Proposal of improvement of WIPO oversight functions (IAOC, IAOD, EA)</p>	<p>Quarterly meetings and report</p>	<p>Quarterly meetings and report</p>	<p>Quarterly meetings and report</p> <p>Review Mandates</p>
<p>MANAGEMENT ACTIONS</p> <p>Systematic appraising of management’s actions to maintain and operate appropriate and effective internal controls</p> <p>Reviewing the operation and effectiveness of the Financial Regulations</p> <p>Reviewing management’s assessment and approach to risk</p> <p>Reviewing arrangements for checks and balances in areas such as ethics, financial disclosure, fraud prevention and misconduct</p>	<p>Proposal to improve WIPO oversight functions</p> <p>Update recommendations status and deal with them by importance/risk</p> <p>Review existing policies and procedures</p>	<p>Follow up of management actions in regards to oversight recommendations and residual risks</p>	<p>Follow up of management actions in regards to oversight recommendations and residual risks</p>	<p>Follow up of management actions in regards to oversight recommendations and residual risks</p>

⁷ WO/GA/35/15, Annex I

RESPONSIBILITIES	2011	2012	2013	2014
<p>Assisting the Program and Budget Committee on any specific requests that may have from time to time, including the review or oversee particular activities and projects, such as: the New Construction Project, the WIPO desk-to-desk assessment, and any other major project.</p>	<p>On request</p>	<p>On request</p>	<p>On request</p>	<p>On request</p>
<p>BEST PRACTICES AND STANDARDS</p> <p>Contributing, through its scrutiny function, to the maintenance of the highest possible standards of financial management and the handling of any irregularities;</p> <p>Focusing assurance resources by</p> <ul style="list-style-type: none"> - Reviewing the collective oversight coverage of the different WIPO oversight functions, including among others, the Internal Audit and Oversight Division, External Audit, Office of the Ombudsman, Office of Ethics, and Office of the Controller.; - Confirming audit and assurance arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the General Assembly <p>Review, at least every three years, the content of the Financial Regulations and Rules including its Annex III - Terms of Reference of the WIPO Independent Advisory Oversight Audit Committee, for compliance with the International Standards for the Professional Practice of Internal Auditing and make recommendations to the Program and Budget Committee.</p>	<p>Review investigation manual and procedures to ensure staff and management rights are respected</p> <p>Proposal for improvement of WIPO oversight functions</p>	<p>Review and follow up on reports of IAOD, External Auditor, Ethics Office, Office of the Ombudsman and the Chief Financial Officer (Controller) to ensure irregularities identified are dealt with</p> <p>Annual IAOC report</p> <p>Surveys of opinion of IAOC (MS, GM, SMT) and action plan if needed</p>	<p>Review and follow up on reports of IAOD, External Auditor, Ethics Office, Office of the Ombudsman and the Chief Financial Officer (Controller) to ensure irregularities identified are dealt with</p> <p>Annual IAOC report</p> <p>Surveys of opinion of IAOC (MS, GM, SMT) and action plan if needed</p>	<p>Review and follow up on reports of IAOD, External Auditor, Ethics Office, Office of the Ombudsman and the Chief Financial Officer (Controller) to ensure irregularities identified are dealt with</p> <p>Annual IAOC report Review mandates</p> <p>Surveys of opinion of IAOC (MS, GM, SMT) and action plan if needed</p> <p>Review of ToR and perform internal quality assurance review against IIA Standards and recognized best practices relating to “audit committees”</p>
<p>IAOD</p> <p>Reviewing and recommending for approval of the Program and Budget Committee of respective annual plans of the Internal Audit and Oversight Division,.</p> <p>Reviewing and monitoring the effectiveness of WIPO’s internal audit function; Overseeing audit performance by:</p> <ul style="list-style-type: none"> - Monitoring the timely, effective and appropriate responses from management with regard to audit recommendations; - Monitoring the implementation of audit recommendations; - Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations. 	<p>Review IAOD Annual Plan</p> <p>Aligned processes and procedures for oversight recommendations Update recommendations status and deal with them by importance/risk Opinion about financial statements</p>	<p>Validation IAOD Annual Plan</p> <p>Implementation of oversight recommendations tools (application) Opinion about financial statements</p>	<p>Validation IAOD Annual Plan</p> <p>Matured interaction between oversight and management. Optimized reporting processes Opinion about financial statements</p>	<p>Validation IAOD Annual Plan</p> <p>Matured interaction between oversight and management Optimized reporting processes Opinion about financial statements</p>

RESPONSIBILITIES	2011	2012	2013	2014
<p>Review, at least every three years, the content of the Financial Regulations and Rules including its Annex I - WIPO Internal Oversight Charter, for compliance with the International Standards for the Professional Practice of Internal Auditing and make recommendations to the Program and Budget Committee</p> <p>Review, the results of the internal and ongoing quality self-assessments, of the assurance/improvement program, and, at least every five years, the results of external independent reviews, in accordance with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.</p>	<p>Review of EA report of respect of IIA Standards by IAOD</p> <p>Review of existing Key Performance Indicators (KPIs) and analysis of quality plans</p>	<p>Follow up of EA (and IAOC) recommendations</p>	<p>External quality assessment</p>	<p>Follow up of recommendations made by the external quality assessment</p>
<p>EXTERNAL AUDIT</p> <p>Reviewing and recommending for approval of the Program and Budget Committee of respective annual plans of External Audit</p> <p>Review, at least every three years Annex II - Terms of Reference Governing External Audit</p> <p>Review, at least every five years, the performance of external auditors.</p>	<p>Review EA annual Plan</p> <p>Analysis of quality plans of incoming EA</p>	<p>Validation EA Annual Plan</p> <p>Review results of quality plans</p>	<p>Validation EA Annual Plan</p> <p>Review ToR EA</p> <p>Follow up of needs for improvement (if any)</p>	<p>Validation EA Annual Plan</p> <p>Review of EA performance</p>
<p>OFFICE OF THE OMBUDSMAN</p> <p>Reviewing and recommending for approval of the Program and Budget Committee of annual plan of the Office of the Ombudsman</p>	<p>-</p>	<p>Review Annual Plan of the Office of the Ombudsman</p>	<p>Review Annual Plan of the Office of the Ombudsman</p>	<p>Review Annual Plan of the Office of the Ombudsman</p>
<p>OFFICE OF ETHICS</p> <p>Reviewing and recommending for approval of the Program and Budget Committee of the annual plan of the Ethics Office</p>	<p>-</p>	<p>Review Annual Plan of the Ethics Office</p>	<p>Review Annual Plan of the Ethics Office</p>	<p>Review Annual Plan of the Ethics Office</p>
<p>OFFICE OF THE CONTROLLER</p> <p>Reviewing and recommending for approval of the Program and Budget Committee of the annual plan of Office of the Chief Financial Officer (Controller).</p>	<p>-</p>	<p>Review Annual Plan of the Chief Financial Officer (Controller)</p>	<p>Review Annual Plan of the Chief Financial Officer (Controller)</p>	<p>Review Annual Plan of the Chief Financial Officer (Controller)</p>

[Annex III follows]

PROPOSED REVISIONS BY THE IAOC TO ANNEXES I, II and III
OF THE WIPO FINANCIAL REGULATIONS AND RULES

ANNEX I OF THE
WIPO FINANCIAL REGULATIONS AND RULES
WIPO INTERNAL OVERSIGHT CHARTER

A. INTRODUCTION

1. This Charter constitutes the framework for the Internal Audit and other Oversight functions⁸ of the World Intellectual Property Organization (hereinafter referred to as “WIPO”) and establishes its mission: to examine and evaluate, in an independent manner, WIPO’s control and business systems and processes, and to provide recommendations for improvement, thus providing assurance and assistance to management and staff in the effective discharge of their responsibilities and the achievement of WIPO’s mission, vision, objectives, outcomes and goals. The purpose of this Charter is also to help strengthen accountability, value for money, stewardship, internal control and corporate governance in WIPO.

B. OVERSIGHT DEFINITIONS

2. (a) 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.⁹
- (b) Evaluation is a systematic, objective and impartial assessment focused on whether expected accomplishments and results have been achieved. It aims at determining the relevance, impact, effectiveness, efficiency and sustainability of WIPO objectives, programs and activities.¹⁰ Evaluation provides evidence-based information that is credible, reliable and useful, with findings, recommendations and lessons learnt, informing the learning and decision-making processes of WIPO and helping to hold WIPO accountable to its Member States¹¹.
- (c) Investigation is a formal fact finding inquiry to examine allegations of misconduct and wrongdoing in order to determine whether they have occurred and if so, the person or persons responsible.
- (d) An inspection is a review conducted on an ad hoc basis whenever there is a strong indication that a wasteful use of resources or poor management of performance has occurred. The review provides a diagnosis of the issues concerned and proposes remedial measures.

C. MANDATE

3. The Internal Audit and Oversight function provides the Management of WIPO with systematic assurance, analyses, appraisals, recommendations, advice and information, through the undertaking of independent internal audits, evaluations, inspections and investigations. Its objectives include endeavoring to ensure cost-effective control, and identifying means for improving WIPO’s effectiveness, efficiency, economy and rationalization of the internal procedures and use of resources, as well as ensuring compliance with WIPO’s Financial Regulations and Rules, Staff Regulations, Staff Rules, relevant General Assembly decisions, the applicable accounting standards and the Standards of Conduct for the International Civil Service, as well as best practice.¹²

⁸ The oversight functions of Internal Audit, Inspection, Evaluation and Investigation. Evaluation is also the subject of a specific policy framework outside this Charter.

⁹ This is the official definition of Internal Auditing, as established by the Institute of Internal Auditors (IIA). The Code of Ethics and the Auditing Standards for Internal Auditing applied at WIPO are those of the IIA. For Evaluation, Investigation and Inspection the standards applied are those developed and used by the UN, e.g. by UNEG, the JIU and the Uniform Guidelines for Investigations.

¹⁰ Evaluation of extra-budgetary activities may be carried out at the request of, and in cooperation with, concerned parties.

¹¹ This definition draws on Regulation 7.1 of Article VII of ST/SGB/2000/8 and from the widely accepted Principles for Evaluation of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD DAC).

¹² Conversely, the independent External Audit function is performed according to the terms of reference described in the WIPO Financial Regulations and Rules. WIPO’s External Auditor is appointed by the WIPO General Assembly for a term of office of six years non renewable consecutively.

D. AUTHORITY AND PREROGATIVES

4. The Director of the Internal Audit and Oversight Division (hereinafter referred to as “Director, IAOD”) is responsible to the Director General ~~and is part of the WIPO staff but not management~~. The Director, IAOD, enjoys functional and operational independence from the Secretariat and Management in the conduct of his/her duties. He reports functionally to the 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 fulfill his/her mandate. The Director, IAOD shall receive requests for his/her services from the Director General, to be included in the workplans, ~~but he/she should be free to carry out any action within the purview of his/her mandate~~. The Director shall submit annual workplans to the IAOC for its information and validation. The workplans of the Director, IAOD shall be based on a risk assessment, to be carried out at least annually, on which basis work would be prioritized by the Director, IAOD. In this process, the Director, IAOD shall take into account the comments of ~~the Director General and~~ Member States through the subsidiary body of the Program and Budget Committee, the IAOC and from the Director General and Management.

5. The Director, IAOD and oversight staff shall conduct internal audit and oversight work in a professional, impartial and unbiased manner. Conflicts of interest should be avoided. Significant and material conflicts of interest are required to be reported to the ~~Audit Committee IAOC~~ who shall recommend such actions that may be needed to mitigate and reduce the undesirable effects of any conflicts of interest. The Director, IAOD and oversight staff will perform all internal audit and oversight work with due professional care and in accordance with good practice and advice recommended by the Institute of Internal Auditors, the norms and standards for UN evaluation, the Uniform Guidelines for Investigations and other guidance standards and norms generally accepted and applied by the UN system organizations¹³.

6. The Director, IAOD and oversight staff shall be independent of all WIPO programs, operations and activities he/she audits, to ensure impartiality and credibility of the work undertaken.

7. For the performance of his/her duties, the Director, IAOD 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, IAOD shall have access to the Chairs of the General Assembly, the Program and Budget Committee and the ~~Audit Committee IAOC~~.

Comments on paragraph 4:

The Director of the Internal Audit and Oversight Division is part of management in the sense that he has a staff to manage and to supervise. Part of his evaluation as internal audit director will be as manager of his team (promoting internal audit, supervising, training, etc.). He should be evaluated as such. He is a key player as a manager and as such needs to set tone at the top in regards to ethical behavior, and be exemplary in following the internal rules and in sharing WIPO values. Besides, he is part of the internal control system. Clearly his position needs to be sufficiently defined to ensure he is independent. The paragraph could mention that he is not part of operational management

The International Internal Audit Standards specify in Standard 1110 – Organizational Independence “The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- Approving the internal audit charter;
- Approving the risk based internal audit plan;
- Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters;
- Approving decisions regarding the appointment and removal of the chief audit executive; and
- Making appropriate inquiries of management and the chief audit executive to determine whether there is inappropriate scope or resource limitations.

¹³ This includes good practice, codes of ethics, guidelines and standards agreed by the Representatives of the Internal Audit Services (RIAS) of the UN; the United Nations Evaluation Group (UNEG); and the Conference of International Investigators (CII).

8. The Director, IAOD shall be available to receive directly from individual staff members and personnel complaints or information concerning the possible existence of fraud, waste, abuse of authority, non-compliance with rules and regulations of WIPO in administrative, personnel and other matters or other irregular activities relevant to the mandate of the Director, IAOD. The Director, IAOD will liaise regularly with [all other internal providers of assurance services to ensure the proper coordination of activities the WIPO \(Office of the Ombudsman and the Ethics Office\) to avoid duplication of activities](#). Relevant internal whistle-blowing policies and procedures shall be developed, established and applied in conjunction with this Charter.

Comment on paragraph 8:

IIA Standard 2050 – Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts

9. The right of all staff and personnel to communicate confidentially with, and provide information to the Director, IAOD, without fear of reprisal, shall be guaranteed by the Director General. This is without prejudice to measures under WIPO Staff Regulations and Staff Rules, where information is transmitted to the Director, IAOD with knowledge of its falsity, or with willful disregard of its truth or falsity.

10. The Director, IAOD shall respect and keep the confidential nature of any information gathered or received that is applicable to an internal audit, evaluation, investigation or inspection, and shall use such information only in so far as it is necessary for the performance of these functions.

E. DUTIES AND MODALITIES OF WORK

11. The Director, IAOD contributes to the efficient management of the Organization and the accountability of the Director General to the Member States.

12. To carry out his/her mandate, the activities of the Director, IAOD shall encompass in particular the undertaking of management audits, performance audits, financial audits, compliance audits, value-for-money audits, evaluations, performance reviews, inspections and investigations.

13. To effectively implement WIPO's Internal Audit and Oversight functions, the Director, IAOD shall:

- (a) Establish long- and short-term flexible Internal Audit and Oversight plans in coordination with the External Auditor, using risk-based methodology, to include any risks or control issues identified, [to be validated by the IAOC](#).
- (b) In consultation with Member States, establish clear policies and guidelines for all oversight functions i.e., internal audit, evaluation, investigation and inspections. The policies and guidelines will provide clear rules and procedures on the access to reports while ensuring rights to due process and the preservation of confidentiality.
- (c) Prepare, publish, disseminate and maintain an internal audit manual; an evaluation manual and an investigation procedures manual. This shall include the terms of reference of the individual oversight functions and a compilation of audit, evaluation, inspection and investigation procedures.
- (d) Establish and maintain follow-up systems to determine whether effective action has been taken, following the Director, IAOD's oversight recommendations, within a reasonable time, and periodically report [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) Liaise and cooperate with the Internal Audit and Oversight services of other Organizations within the United Nations system and of Multilateral Financial Institutions, and represent WIPO in relevant inter-agency meetings.

- (g) Develop and maintain a quality assurance/improvement program covering all aspects of Internal Audit, including periodic internal and external reviews and ongoing self-assessments, ~~such as tracking time taken to produce reports~~ in accordance with the International Standards for the Professional Practice of Internal Auditing.
14. In particular, the Director, IAOD shall assist WIPO by performing the following:
- (a) Review and appraise the reliability, effectiveness and integrity of WIPO's internal control mechanisms.
 - (b) Review and evaluate the adequacy of organizational structures, systems and processes to ensure that the results are consistent with the objectives established.
 - (c) Assess and evaluate the effectiveness of WIPO in meeting its objectives and achieving results and, as required, recommend and suggest better ways of achieving such results, taking into account good practices and lessons learned.
 - (d) Review and appraise systems aimed at ensuring compliance by WIPO staff with WIPO's Rules, Regulations and established internal policies.
 - (e) Review and evaluate the effective, efficient and economical use, and the safeguarding of human, financial and material resources of WIPO.
 - (f) Determine the extent to which assets are accounted for and safeguarded from loss.
 - (g) Identify and evaluate significant exposure of WIPO to risk and contribute to the improvement of risk management.
 - (h) Undertake, when required, any investigation pertaining to cases of alleged misconduct, wrongdoing or malfeasance falling within the mandate of the Director, IAOD.
 - (i) Undertake *ad hoc* inspections to identify vulnerable areas and malfunctions.
 - (j) Ensure completeness, timeliness, fairness, objectivity and accuracy in the reporting of internal audits, investigations, evaluations and inspections.

Comment on sub-paragraph 13(g):

Standard 1300 – Quality Assurance and Improvement Program. The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The chief audit executive must discuss with the board:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest

F. REPORTING

15. At the end of each audit, evaluation, inspection or investigation, a report shall be issued, which shall present the objectives, scope, methodology, findings, conclusions and recommendations of the specific activity concerned and include, if applicable, recommendations for improvements and lessons learnt from the program, person or activity.

Comment on Section F

The IAOC should receive at least the executive summary of all communications and work done by IAOD. This includes internal audits, investigations, evaluations, inspections, etc.

16. Draft internal audit, evaluation and inspection 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, inspection or evaluation, who shall be given the opportunity to respond within the term provided therein.

17. Final internal audit, evaluation and inspection reports shall include any relevant comments from the managers concerned on the facts established within the audit, evaluation and inspection reports and, if applicable, on the recommended plans of action, as well as on any timetable established for implementation purposes and the management responsible for the implementation of specific action plans. Should the Director, IAOD and the program manager be unable to agree on the facts evidenced in draft audit, inspection and evaluation reports, the final reports shall reflect the opinion of the Director, IAOD. The managers concerned shall have the opportunity to comment on the reports and the Director, IAOD, shall have the opportunity to reply to the comments that will be reflected in the final report.

18. The Director, IAOD shall submit final internal audit and oversight reports to the Director General. Internal audit, evaluation, investigations and inspection reports will be copied to the Audit Committee IAOC. The External Auditor shall also receive a copy of internal audit, evaluation, investigations and inspection reports, along with any supporting documentation they may require. Permanent Representatives of Member States to WIPO or their

designates can read final internal audit and oversight reports in the Director, IAOD's office.

19. The Director, IAOD may also issue communications concerning oversight matters to any concerned WIPO manager for matters of a minor or routine nature, which do not necessitate formal reporting.

20. All investigation reports, drafts, materials, findings, conclusions and recommendations are fully confidential, unless disclosure is authorized by the Director, IAOD or the Director General.

21. The Director, IAOD shall submit final investigation reports to the Director General. For final investigation reports involving WIPO personnel at the Deputy Director General and Assistant Director General levels, the Director, IAOD may also send a copy to the Chair of the General Assemblies, to the Chair of the ~~Audit Committee~~ [IAOC](#) and to the External Auditors. Should the investigation concern the Director General, the final report shall be submitted by the Director, IAOD, to the Chairman of the WIPO Assemblies, for any action deemed appropriate, and copied to the Chair of the ~~Audit Committee~~ [IAOC](#) and the External Auditors.

22. The Director General is responsible for ensuring that all recommendations made by the Director, IAOD are responded to promptly, indicating actions taken [by management](#) regarding specific report findings and recommendations.

23. The Director, IAOD shall present, 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.

24. The Director, IAOD shall ~~make a presentation present~~ on a regular basis [a status report on annual workplans on his/her activities](#) to the ~~Program and Budget Committee~~ [IAOC](#).

25. The Director, IAOD shall present, on an annual basis, a summary report to the [IAOC with a copy to the](#) Director General ~~with a copy to and~~ the External Auditor ~~and the Audit Committee~~, of his/her internal audit and oversight activities, including the orientation and scope of such activities, the schedule of work undertaken and progress on the implementation of prioritized recommendations contained in his/her reports. This summary report shall be presented to the ~~WIPO General Assembly~~ [IAOC](#) as submitted by the Director, IAOD. Comments the Director General may deem appropriate may be submitted in a separate report.

Comment on paragraph 25

It should be considered that the IAOC can obtain the following information:

- Key performance indicators
- Results from any internal/ external evaluation

See Practice Advisory 1310 on quality program assessments

26. When applicable, the annual report shall include the following:

- (a) A description of significant problems, abuses and deficiencies relating to the administration of WIPO in general, or a program or operation in particular, disclosed during the period.
- (b) A description of all final recommendations for corrective action made by the Director, IAOD during the reporting period relative to the significant problems, abuses or deficiencies identified.
- (c) A description of all recommendations which were not approved by the Director General, together with his reasons for not doing so.
- (d) An identification of each significant recommendation in previous reports on which corrective action has not been completed.
- (e) A description and explanation of the reasons for any significant revised management decision made during the reporting period.
- (f) Information concerning any significant management decision with which the Director, IAOD is in disagreement.
- (g) A summary of any instance where information or assistance requested by the Director, IAOD was refused.
- (h) A summarized version of the report submitted by the Director, IAOD to the Director General regarding the implementation of recommendations made by the External Auditor.

Comment on paragraph 26

See Practice Advisory 1310 and 1311 Internal Assessments

It should be considered that the IAOC can obtain the following information:

- to what extent the audit plan has been completed,
- the number of recommendations issued, accepted/rejected, implemented fully/partially/non implemented
- Residual risks not covered by the organization and main WIPO risks
- Results of ongoing assessment, internal /external evaluation
- Staff budgeted versus real
- CHF allocated versus real expenditures

- (i) In addition, the Director, IAOD shall comment on the scope of his activities and the adequacy of resources for the purpose intended, [and should confirm the independence of the internal audit function annually, and report any threat to or interference with the independence of the internal audit activity.](#)

G. RESOURCES

27. In presenting Program and Budget proposals to the Member States, the Director General shall take into account the need to ensure the operational independence and the necessary resource requirements to ensure the effective functioning of the Director, IAOD and his/her capacity to achieve the required objectives of his/her mandate. The allocation of resources to the Director, IAOD shall be clearly identified in the Program and Budget proposal.

28. The Director General, in consultation with the [IAOC and the](#) Director, IAOD, will ensure that the WIPO Internal Audit and Oversight functions comprise sufficient professional staff, appointed in accordance with WIPO Staff Regulations and Staff Rules, with sufficient skills, experience and professional knowledge, and promote continuing professional development to meet the requirements of this Charter.

H. APPOINTMENT AND DISMISSAL OF THE DIRECTOR, IAOD

29. The Director, IAOD should be a person with high qualifications and competence in auditing and oversight functions. The recruitment of a Director, IAOD shall be based on an open, transparent international selection process to be provided by the Director General, [in consultation with the IAOC.](#)

30. The appointment, replacement or dismissal of the Director, IAOD shall be formally made by the Director General, taking into account the advice of the Coordination Committee [and the IAOC.](#) ~~The Director General shall keep the Audit Committee informed of such actions~~

31. The Director, IAOD will have a non renewable fixed term of office of five years. On completion of the fixed term of office he/she would not be eligible for any further employment in WIPO.

I. REVISION CLAUSE

32. This Charter shall be subject to review every three years or earlier, if necessary. Amendments to the Charter shall ensure that it remains an overarching framework for all internal oversight activities.

ANNEX II OF THE WIPO FINANCIAL REGULATIONS AND RULES

TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT

1. The External Auditor shall perform such audit of the accounts of WIPO and of the Unions administered by WIPO, including all trust funds and special accounts, as he deems necessary in order to assure himself:

- (a) that the financial statements are in accord with the books and records of WIPO;
- (b) that the financial transactions reflected in the 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 chooses of all financial records including those relating to supplies and equipment.

3. The External Auditor and his 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 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~~must draw the attention of the Governing Bodies concerned of WIPO and all interested Unions, and of the IAOC, to any denial of information classified as privileged which in his opinion was required for the purpose of the audit.

4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director General for appropriate action any transaction concerning which he entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Director General and to the IAOC.

5. The External Auditor shall express and sign an opinion on the financial statements of WIPO. The opinion shall include the following basic elements:

- (a) the identification of the 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;
- (d) a description of the work performed;
- (e) an expression of opinion on the financial statements as to whether:
 - (i) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
 - (ii) the 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 financial period
- (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 financial statements.

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

- (a) the type and scope of his examination;
- (b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - (i) information necessary to the correct interpretation of the accounts;
 - (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 financial statements;

- (iv) expenditures not properly substantiated;
 - (v) whether proper books of accounts have been kept. Where, in the presentation of 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, [and of the IAOC](#), 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 findings resulting from the audit and such comments on the Director General's financial report as he deems appropriate to the Governing Bodies concerned of WIPO and all interested Unions, [and of the IAOC](#), 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 shall refer to the matter in his opinion and report, making clear the reasons for his 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 Report without first allowing the Director General an adequate opportunity of explanation on the matter under observation.

ANNEX III OF THE WIPO FINANCIAL REGULATIONS AND RULES
TERMS OF REFERENCE OF THE
WIPO ~~AUDIT INDEPENDENT ADVISORY OVERSIGHT~~ COMMITTEE

Note: The text below, taken from the WIPO Financial Regulations and Rules, shows, in purple text, revisions proposed by the Program and Budget Committee at its 16th Session (January 12 and 13, 2011) and, in blue text, additional revisions proposed by the IAOC at its 21st Session (May 23 to 26, 2011).

A. PREAMBLE

1. In September 2005, the WIPO General Assembly approved the proposal of the Working Group of the Program and Budget Committee on the establishment of a WIPO Audit Committee in accordance with Annex II, A/41/10. ~~In October 2010, the WIPO General Assembly approved proposals contained in document WO/GA/39/13 to change the title of the Committee into Independent Advisory Oversight Committee and amend its composition and rotation procedures. The WIPO General Assembly approved revisions to the terms of reference as follows: in September 2007, the proposals contained in document WO/GA/34/15; in October 2010, the proposals contained in document WO/GA/39/13 [and in September 2011, proposals contained in document WO/PBC/16/3 Rev. [and WO/PBC/xx/x]].~~

B. FUNCTIONS AND RESPONSIBILITIES

2. The ~~Audit Committee~~Independent Advisory Oversight Committee of WIPO, which is subsidiary body of the Program and Budget Committee, is an independent, expert advisory and external oversight body established to provide assurance to Member States on the appropriateness and effectiveness of internal controls at WIPO. It aims 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. Its mandate is as follows:

- (a) Promoting internal control by:
 - (i) Systematic appraising of management's actions to maintain and operate appropriate and effective internal controls;
 - (ii) Contributing, through its scrutiny function, to the maintenance of the highest possible standards of financial management and the handling of any irregularities;
 - (iii) Reviewing the operation and effectiveness of the Financial Regulations;
 - (iv) Reviewing management's assessment and approach to risk;
 - (v) Reviewing arrangements for checks and balances in areas such as ethics, financial disclosure, fraud prevention and misconduct;
 - (vi) Reviewing and recommending for approval of the Program and Budget Committee the annual plans of the various WIPO oversight functions.
- (b) Focusing assurance resources by:
 - (i) Reviewing and monitoring the effectiveness of WIPO's internal audit function;
 - (ii) Exchanging information and views with the external auditor, including his audit plan;
 - (iii) ~~Promoting effective coordination of activities between the internal and external audit function;~~ Reviewing the collective oversight coverage of the various WIPO oversight functions, including *inter alia*, the Internal Audit and Oversight Division, the Office of the Ombudsman, the Ethics Office and the Office of the Chief Financial Officer (Controller)

- (iv) Confirming audit and assurance arrangements have been conducted and delivered during the year to provide the necessary levels of assurance required by the General Assembly.
- (c) Overseeing audit performance by:
 - (i) Monitoring the timely, effective and appropriate responses from management with regard to audit recommendations;
 - (ii) Monitoring the implementation of audit recommendations;
 - (iii) Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations.
- (d) ~~The Assisting the~~ Program and Budget Committee from time to time on any specific requests that it may have, including from time to time request the Audit Committee to review or oversee oversight of particular activities and projects, such as:
 - the New Construction Project,
 - the WIPO desk-to-desk assessment, and
 - any other major project.
- (e) The ~~Audit Committee~~Independent Advisory Oversight Committee shall: ~~make recommendations to the Program and Budget Committee on issues within the terms of reference of the Audit Committee~~Independent Advisory Oversight Committee, as it considers appropriate.
 - (i) Review, at least every three years, the content 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 the International Standards for the Professional Practice of Internal Auditing and make recommendations to the Program and Budget Committee.
 - (ii) Review the results of the internal and ongoing quality self-assessments of the assurance/improvement program¹⁴ and, at least every five years, the results of external independent reviews, in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
 - (iii) Review, at least every five years, the performance of external auditors.

C. MEMBERSHIP AND QUALIFICATIONS

3. ~~As of February 2011, The the Audit Committee~~Independent Advisory Oversight Committee shall have will be composed of ~~nineseven~~ members, ~~elected by the Program and Budget Committee~~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 WIPO Independent Advisory Oversight Committee. However, in case there is no candidate, who meets the criteria established by the selection panel in accordance with the General Assembly decision (recorded in paragraph 30, WO/GA/39/14) as contained in paragraphs 14, 15, 21, 22 and 26 of document WO/GA/39/13, available from any region, the position would be filled in by the highest ranking candidate in the Independent Advisory Oversight Committee’s assessment irrespective of his or her regional representation. As per document WO/GA/39/13, the services of the two external experts of the existing Independent Advisory Oversight Committee will be retained until the end of 2011. The external experts will have no right to vote.

¹⁴ As stated in the Institute of Internal Audit Standards and Practice Advisory 1310-1 Quality Program Assessments, PA1311-1 Internal Assessments and PA1312-1 External Assessments

4. ~~The nine members shall have an initial period of office of three years from appointment. The Program and Budget Committee will elect, as part of the renewal of the members, three new members effective 2009 with a third of the membership to be rotated annually thereafter bearing in mind the need for continuity and respect for geographical distribution. No member shall serve more than six years. Former members of the Audit Committee may be reappointed to the Audit Committee subject to not serving more than six years in aggregate. The rotation mechanism for the Independent Advisory Oversight Committee members will be as follows:~~

~~(i) No member of the Independent Advisory Oversight Committee shall serve for more than six years in aggregate;~~

~~(ii) Four members of the new Independent Advisory Oversight Committee, starting in February 2011, would serve a term of three years, renewable once and for a final term;~~

~~(iii) Three members of the new Independent Advisory Oversight Committee would serve a term of three years, non-renewable;~~

~~(iv) The term of the new members would be determined by drawing of lots at the first meeting of the Independent Advisory Oversight Committee in 2011;~~

~~(v) After the first three-year period, all members of the Independent Advisory Oversight Committee would be nominated for a term of three years, renewable once, except as provided under paragraph 4(iii) above;~~

~~(vi) Each member of the Independent Advisory Oversight Committee 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, 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, available from any region, the position would be filled in by the highest ranking candidate in the Independent Advisory Oversight Committee's assessment irrespective of his or her regional representation;~~

~~(vii) The selection process used for selection of new Committee members effective January 2011 as described in paragraph 28 of document WO/GA/39/13 will also be applied in the case of selection of new members of the Independent Advisory Oversight Committee, except as provided for in paragraph 4(viii) below;~~

~~(viii) A roster/pool of experts identified during the selection process may be used in case of resignation or demise of a member of the Independent Advisory Oversight Committee while serving his or her term.~~

5. The members of the ~~Audit Committee~~Independent Advisory Oversight Committee shall select a Chair and Deputy Chair.

6. ~~Member States~~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 Independent Advisory Oversight Committee.

7. The ~~Audit Committee~~Independent Advisory Oversight Committee should corporately possess the following competencies:

- (a) Technical or specialist knowledge of issues pertinent to the Organization's business;
- (b) Experience of managing similar sized organizations;
- (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.

8. 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.

9. The ~~Audit Committee~~Independent Advisory Oversight Committee will meet regularly every quarter in formal meeting.

10. A minimum of ~~five~~four members of the ~~Audit Committee~~Independent Advisory Oversight Committee are required to be present for a meeting of the Committee to be quorate.

11. The ~~Audit Committee~~Independent Advisory Oversight Committee may invite officials of WIPO Secretariat or others to attend meetings.

E. REPORTING AND REVIEW

12. The ~~Audit Committee~~Independent Advisory Oversight Committee shall keep Member States informed of its work on a regular basis. In particular, following each of its formal meetings the Committee shall organize a meeting with WIPO Member States and prepare a report for circulation to the Program and Budget Committee.

13. Member States will review, every three years, the mandate, functioning, membership, selection and rotation of the ~~Audit Committee~~Independent Advisory Oversight Committee. 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.

F. SUPPORT BY THE WIPO SECRETARIAT

14. Assistance shall be provided to the ~~Audit Committee~~Independent Advisory Oversight Committee from the WIPO Secretariat, which should be outside of the Internal Audit and Oversight Division of WIPO, in accordance with the principles of accountability and transparency. This assistance will be in the form of dedicated, independent Professional and General Service assistance serving on a part-time basis as secretariat for Independent Advisory Oversight Committee. Functions of such logistical and technical assistance shall include: (a) logistical and administrative support. This would entail preparing for and attending ~~Audit Committee~~Independent Advisory Oversight Committee meetings and assisting with preparing draft reports; (b) substantive and technical work in preparation for ~~Audit Committee~~Independent Advisory Oversight Committee meetings, which may include research and background position papers, and others, as may be requested by the ~~Audit Committee~~Independent Advisory Oversight Committee.

G. BUDGET

15. In its biennial budget WIPO shall provide a specific budget allocation for the ~~Audit Committee~~Independent Advisory Oversight Committee, providing for costs on an annual basis associated with the approved activities and related expenditures as provided in the terms of reference, namely four formal meetings of four to five days each in principle, attendance by ~~Audit Committee~~Independent Advisory Oversight Committee members to the Program and Budget Committee and other meetings as required, secretarial and substantive support, and external consultancies.

16. Expenses for members of the Independent Advisory Oversight Committee will be paid by WIPO in accordance with WIPO's financial rules and regulations.

H. INFORMATION REQUIREMENTS

17. Well in advance of each formal meeting, the WIPO Secretariat shall provide the ~~Audit Committee~~Independent Advisory Oversight 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.

[Annex IV follows]

LIST OF DOCUMENTS

Item 1: Adoption of the Agenda

Document: WO/IAOC/21/1 Prov.1, dated May 16, 2011

Item 4: Risk Management and Internal Controls

A. Internal Audit and Oversight Division

- (i) IAOD Work Plan (Status, Variations, Risk Assessment, Key Performance Indicators)

Document(s): Internal Audit

Revised Internal Audit Plan for 2010/11 dated November 23, 2010

Final Internal Audit Planning for the 2010/11 Biennium and Transmittal Memo, dated March 23, 2010

Internal Audit Activity Report for 2010

Investigation

Investigation Section General Investigation Plan for 2011

Investigation Section Annual Report

IAOD Half Yearly Summary Report on Investigations

Cases as at January 24, 2011

Evaluation

Evaluation Plan for 2011

Evaluation Activity Report for 2010

- (ii) Follow-up on residual risks identified in internal audit reports

Document(s): Background resource: Open Oversight Recommendations table (see Item 5 below)

B. Strategic Realignment Program (SRP)

- (i) Presentation on SRP Risk Management

Document(s): Powerpoint Presentation "Risk Management and Internal Controls. Overview"

WIPO Risk Management Framework (RMF) Draft version 1.0, dated October 13, 2010

- (ii) SRP Initiative No. 5: Enterprise Resource Planning (ERP) System. Presentation on Risk Management of the Procurement and Assets Modules

Document(s): Powerpoint Presentation "Risk Management and Internal Controls. SRP Initiative No. 5: ERP"

Background resources:

A/48/14 "Proposal for the Implementation of a Comprehensive Integrated Enterprise Resource Planning (ERP) System", dated July 20, 2010

WIPO Public Website Procurement Homepage

Office Instruction No. 53/2009 “Amendments to Office Instruction No. 21/2006 Rev.: Procurement and Purchase. General Principles, Framework and Procedures”, issued September 22, 2009
Office Instruction No. 21/2006 Rev., “Procurement and Purchase. General Principles, Framework and Procedures”, issued August 23, 2006
WIPO Procurement Manual
WIPO Financial Regulations and Rules

(iii) SRP Initiative No. 15: Internal Control System

Document(s): Powerpoint Presentation “Risk Management and Internal Controls. SRP Initiative No. 15: Strengthen Internal Controls”

Document(s): *Background resource*: Internal Audit Report IA/01/2010 “Internal Control Review and Gap Assessment at WIPO”
Background resource: Internal Control and Accounting Standards: INTOSAI GOV 9100 – 9230

C. Patent Cooperation Treaty (PCT) System

Presentation on PCT Risk Management and Related Internal Controls

Document(s): Powerpoint Presentation “Risk Management and Internal Controls. PCT”

Document(s): *Background resources*:
PCT Forecast Summary, dated April 2011
Memorandum “Why revenue growth fell short of filing growth in 2010”, dated April 8, 2011, from Mr. Carston Fink, Chief Economist, to the Director General
Internal Audit Report IA/04/2009 “Final Audit Report on PCT Revenue Generation Process
Internal Audit Report IA/03/2010 “Follow Up Audit of IT Security and Access Controls”

Item 5: Follow-up on Oversight Recommendations

Document(s): Open Oversight Recommendations table with transmittal memorandum, dated May 3, 2011
Comments of the Director General (May 6, 2011) to the Memorandum of May 3, 2011

Item 6: Ethics (SRP Initiative 17)

Document(s): Powerpoint Presentation on the Ethics Office
Background Note on the Ethics Office
Note on the Mandate of the Ethics Office
Draft Code of Ethics and Explanatory Note, with a comparison note on the difference between the draft WIPO Code of Ethics and the UN Code of Ethics)
Office Instruction 25/2010 “Ethics Office”
Office Instruction 57/2009 “Declaration of Interest Form Implementing Guidelines

Item 7: New Construction Projects

Document(s): Progress Report on the New Construction Projects, dated May 2011

Item 8: WIPO Financial Statements for 2010 and draft Program and Budget for 2011/12

Document(s): WIPO Financial Statements for 2010 with transmittal letter dated March 31, 2011

Draft Program and Budget 2012/13

Item 9: WIPO Development Agenda

Document(s): CDIP/7/2 "Director General's Report on Implementation of the Development Agenda"

WO/GA/39/7 "Report of the Committee on Development and Intellectual Property (CDIP)"

CDIP/6/2 "Progress Reports on Development Agenda Projects"

CDIP/6/3 "Progress Report on Recommendations for Immediate Implementation"

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Other Documents

IAOD Document(s) received since IAOC/20 (March 16 to 18, 2011) not listed above

Internal Audit Report IA/04/2011 "Review of the WIPO Academy", dated May 4, 2011 with transmittal memorandum

Audit Report IA/05/2011 "Review of the FLEXTIME System and Employee Access Controls", dated April 26, 2011, with transmittal memorandum

Audit Report IA/01/2011 "Review of Cash Advances", dated March 25, 2011, with transmittal memorandum

Seventeenth Session of the WIPO Program and Budget Committee

Document WO/PBC/17/1 Prov. "Draft Agenda", dated April 27, 2011

Document WO/PBC/17/2 "WIPO Governance Structure", dated April 15, 2011

[Annex V follows]

SLIDES PRESENTED ON RISK MANAGEMENT AND INTERNAL CONTROLS
AT THE IAOC INFORMATION SESSION FOR MEMBER STATES

Internal Controls and Risk Management

- Presentation and interaction with the Director General, ADG & team, Director of IAOD, Director of PCT Operations
 - 2010/11 biennial work plan of IAOD
 - SRP initiatives related to internal control
 - PCT internal controls and risk management

Internal Controls and Risk Management

■ **Observations**

- DG and Management exhibited a clear perception of risks faced by WIPO, particularly those associated with PCT
- However, the Director of IAOD stated that WIPO is operating with a very high level of risk

Observations (continued)

- SRP risk management framework corresponds closely with standards for internal controls INTOSAI and IIA
- Management agreed with suggestion by IAOC that the framework should explicitly mention internal controls as a risk mitigation measure and internal audit as instrumental in providing SMT with assurance
- Internal Control Policy and IAOD work plans will have to be aligned with this
- IAOD annual risk assessment and planning must include inputs from senior management on their risk perceptions

[End of Annex V and of document]