



A/55/9
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Assemblies of the Member States of WIPO

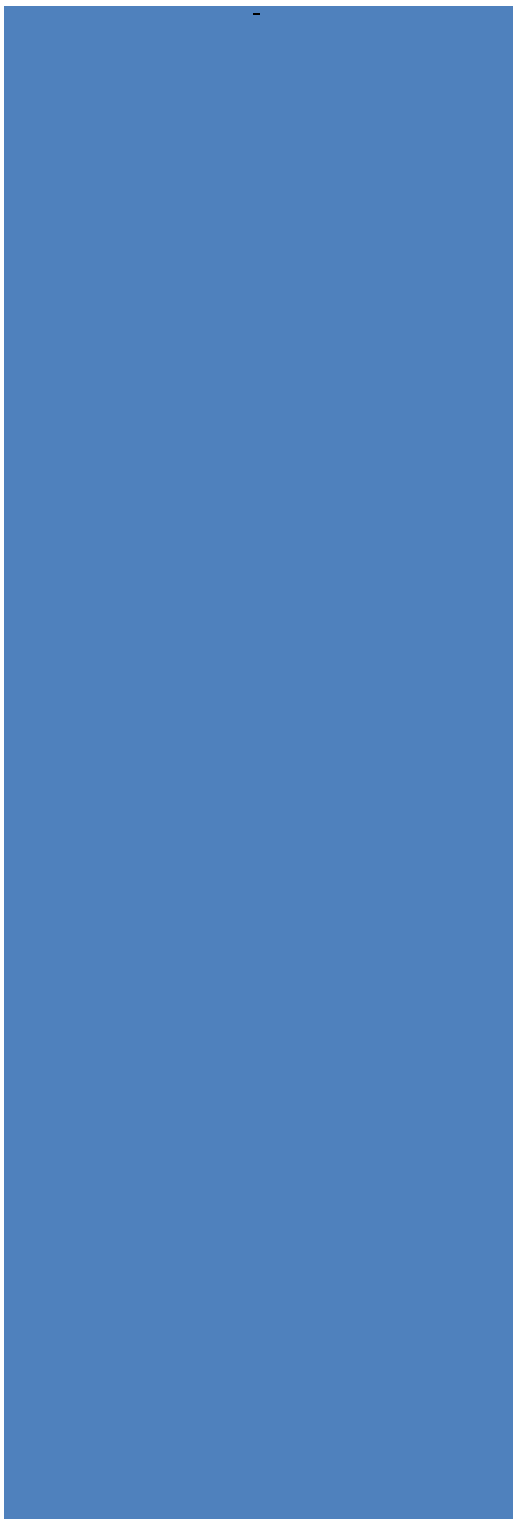
2. The following decision paragraph is proposed.

3. *The Program and Budget Committee recommended to the General Assembly and other Assemblies of the Member States of WIPO, to take note of the Report by the External Auditor (document WO/PBC/24/5).*

[Report by the External Auditor follows]



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements - whether due to fraud or error. In making those risk assessments,i



We observed that WIPO has not put adequate detail in deliverable/services under each milestone and weekly progress report of projects did not include sufficient details for monitoring the progress of issues, deliverables/services, contractual obligations, review of contractual performance of the contract. We urge WIPO to strengthen its contract management and monitoring mechanism for smooth and timely delivery of deliverables/services under defined milestones and augment documentation relating to contract modification.

We test checked the Weekly Project Status Report related to ERP HR Project- Phase I and found that several issues remained open for long period up to 83 weeks. Further, ERP

In the cases of rental subsidy, we found that the provisions of office instructions need

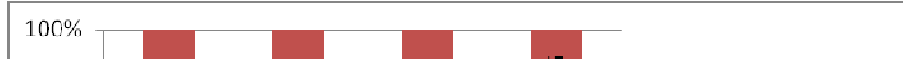
The audit of the World Intellectual Property Organization (WIPO) was assigned to the Comptroller and Auditor General of India for the financial years 2012 to 2017 in terms of approval of the WIPO General Assembly Fortieth (20th Ordinary) Session, Geneva, held from 26 September to 5 October, 2011. The scope of the audit is in accordance with Regulation 8.10 of the Financial Regulations and the principles set out in the Annex to these regulations.

The audit for the financial year 2014 was conducted as per an audit plan drawn up on the basis of risk analysis of WIPO conducted by us. Our work included audit of the financial statements of WIPO, audit of 'Enterprise Resource Planning System' and audit of the Human Resource Management Department. Professional reliance was placed, wherever necessary, on the work of the internal audit.

Important findings arising from these audits were discussed with the management and were thereafter conveyed to them through Management Letters. The more significant of these findings, appropriately aggregated, are presented in this report.

The audit was conducted in accordance with the International Standards of Auditing issued by the International Federation of Accountants and adopted by the Panel of External Auditors of the United Nations, its Specialized Agencies and the International Atomic Energy Agency; Auditing Standards of the International Organization of Supreme Audit Institutions and Regulation 8.10 of the Financial Regulations of the WIPO and the Additional Terms of Reference governing the audit of WIPO as set out in the Annex to the Financial Regulations.

Our audit included a review of the financial statements to ensure that there were no material errors and that the requirements of International Public Sector Accounting Standards (IPSAS) had been met. WIPO adopted IPSAS in 2010 and adopted IPSAS 28, 29 and 30 relating to Financial Instruments during the year 2013.



Accepting the recommendation, WIPO stated that the process of reconciliation can

disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

As per Note 22, the Program Performance Report (PPR) for 2014 provides an explanation of both changes between the original and final budget after transfers, and the material differences between the budget and the actual amounts. We observed that PPR for 2014 was not prepared till the time of audit.

WIPO stated that the final audited financial statements are generally presented to the PBC at the same time as the PPR and it is not necessary to repeat this information in both documents. WIPO informed that in 2015, the PPR is expected to be presented at the July session of the PBC, which will be earlier than the financial statements.

improvement in receiving of fees from SIPO, still there were average delays of more than three months.

WIPO stated that the International Bureau has been in regular contact with SIPO about the timeliness of the transmittal of international filing and handling fees for quite a while.

WIPO accepted the recommendation and stated that SIPO has been making constant progress on the issue and since the beginning of 2015, the average time of transmittal was reduced to three months, which constituted a remarkable improvement compared to the same period in 2014. They added that the International Bureau is committed to continue working with SIPO on this issue and further improvements ca

Enhance the capability to provide better information to MSs, stakeholders and management.

The ERP system was being implemented through a portfolio of inter-related projects. The first stream of projects was to provide WIPO with a comprehensive set of tools to strengthen Human Resource Management (HR), comprising position management, benefits and entitlements, payroll, recruitment, staff performance, learning and development.

The second stream of projects was to provide WIPO with a set of tools to strengthen the implementation of Results-Based Management, comprising biennial planning, annual work planning, implementation monitoring and performance assessment and reporting. The Business Intelligence (BI) analytical tool would be introduced in support of Enterprise Performance Management (EPM). As all streams progress, more data would be available in the ERP system and the BI solution would progressively enable improved reporting to MSs, management and staff on organizational performance, results, and human and financial resources.

The third stream of projects would enhance the existing finance, procurement and travel systems through configuration changes and upgrades which would enable the introduction of new functionality and improvements to business processes and the introduction of new modules.

The fourth stream would lay the foundations for improved Customer Relationship Management (CRM) by supporting business led projects, such as mailing list tools, contact databases, access management and customer analytics.

The ERP system is a critical enabler and prerequisite for the modernization of WIPO's key administrative and management business processes. This system would:

provide the automation and horizontal integration necessary to drive productivity and efficiency improvements by making processes more responsive and better able to serve

AIMS	Online Booking Tool	Q4 2013	Live (under stabilization)
EPM	Biennial Planning (14/15)	Q1 2015	Live
EPM	Annual Work Planning	Q1 2015	Live
EPM	Monitoring and Assessment	Q1 2015	Live
EPM	Biennial Planning (16/17)	Q1 2015	In-progress
EPM	Enterprise Risk Management	Q1 2015	Live (under stabilization)

EPM BusinessbiJJjSnMk'x9/'JJjS)Mj'x9/'JJjS)Ms 9/'Jix bz9jRbjJ/JbCb r etGRbz8G'bGbCb r et f t

WIPO agreed on the need to limit the delay. Recognizing the project management constraints triangle of cost, quality and time, they have placed an emphasis on quality and cost over time, especially for the payroll project which demanded 100 *per cent* accuracy. WIPO stated that they would submit a new updated timeline in the 2015 ERP progress report to the MSs and try to implement the project by the updated timeline.

We observed that WIPO did not have Document Management System for projects undertaken under ERP system. In the absence of repository for the project related documents, WIKI was used to share management documents with WIPO staff as well as Audit. Some documents were not posted on the WIKI. When Audit requested documents not available in the WIKI, WIPO provided these through emails or by adding the document to the WIKI.

WIPO stated that in the absence of a document management system, the ERP Project Management Office and the different project teams currently used existing tools available including the filing system and the WIKI to ensure that documents were filed and could be accessed by edKI

(Cost in CHF)

Application Hosting	1,383,360	674,911	48.79
Software Acquisition and Maintenance	3,989,738	3,095,862	77.60
Project Personnel	5,564,680	8,772,279	157.64
User back-filling resources	2,703,800	1,912,510	70.73
External Implementation Partner	9,896,109	10,199,546	103.07
Training	1,253,780	474,673	37.86

Communicat

- ii. There would be savings in 'Training' (62.14 *per cent*) and 'Communication and other' (62.02 *per cent*) in the ongoing project of ERP System. Pertinently, WIPO had also savings in 'Training' (75.5 *per cent*) and 'Communication and other' (60.9 *per cent*) while implementing an earlier project, viz. IT Modules to establish compliance with the FRR-IPSAS project. This indicated that the cost calculation methodology adopted for working out cost for each element needed to be reviewed.

WIPO stated that they had reviewed the FRR-IPSAS budget and actuals to understand the 'savings' and attempted to apply these to the ERP Portfolio budget estimates, being careful not to assume that these savings would always necessarily occur. The original training planning assumptions had assumed a certain mix of on-site and off-site training events and WIPO endeavoured to impart the majority of the trainingteC'CGS-MJxzSjGC/S

ERP Portfolio overall project has no wide variations between budget and actual costs and that they make every effort to minimize, as much as possible, the variations.

In the Progress Report on the implementation of ERP System (WO/PBC/18/12), WIPO stated that the implementation approach would include consciously reviewing and mitigating key risks through strong Portfolio Governance and the adoption of best practices. PRINCE2 project management methodology, which WIPO used for management of the project, also emphasizes on establishing and maintaining common planning and control tool.

We observed that:

- WIPO has implemented common implementation strategy in January 2014.
- AIMS Portfolio Board has its first meeting in March 2014 and AIMS Steering Committee first met in June 2014.
- To manage changes in the projects, formal Change Management Strategy was implemented from October 2014.

We further noticed from Project Initiation Documents that different projects had followed different planning, quality assurance and project management methods including detailing in the Quality Management Strategy, Risk Management Strategy, Stage Plans and Tolerance Limits. For example, quality expectations were defined in detail along with the criteria in HR Payroll PID which was ignored in EPM PID. Similarly, quality assurance mechanism which was defined in detail in HR Payroll PID was not dealt by EPM PID, OBT PID.

WIPO stated that WIPO's common project management methodology is PRINCE2, which the portfolio has always followed. As part of the review performed in 2013, WIPO enhanced the PRINCE2 methodology, to make it more specific to the ERP portfolio. This became the common implementation and monitoring methodology from the start of 2014. We appreciate that the governance structure and common approach was strengthened subsequent to Gartner's review and recommendation.

One of the expected benefits defined in the Business

- i. As the reason for delay was not defined in any sign-off document, it was not clear whether delay was attributable to Implementing Partner or to WIPO.
- ii. WIPO made separate Statement of Work for the above works except for Post Go-Live Support and UNHCR Prototype and accordingly payment was not made for the same. The reason for delay was,le tea mh aeeelap/9CRx8Gj8S MkjJRx'zzSaM/xGR9zJ'RShMkRxGjv9SeMkj8x8C8/S Mkj/x8//9S

defining data conversion and defining interface of HR module with system. We noticed that the invoice for the first change request was raised on the same day when signoff for completing the technical design (Milestone 3) was made. This indicated that the business requirements were not completely captured during fit gap analysis and later on remaining business requirements were charged to WIPO as Change Requests, for which WIPO made payment amounting to CHF 90,165.

WIPO replied that during the requirements gathering and fit-gap analysis, a number of requirements were identified that were not included as part of the original fixed price scope. The additional requirements were discussed and included in the technical design. Once the technical design was confirmed by WIPO, the change request invoice was raised. Accordingly, the invoice date of the change request matched the technical design milestone, as both were performed together and not because requirements had not been completely captured.

- vii. In the monitoring mechanism, *i.e.*, weekly progress report of projects did not include sufficient details for monitoring the progress of issues, deliverables/services, contractual obligations, review of contractual performance of the contract.

WIPO replied that the sign-off was performed with some issues still open as in larger projects there is rarely a clean move from one stage to the next with no open issues. The issues were duly tracked to ensure completion in later stages. While accepting that formal documentation relating to a contract modification would be an improvement, WIPO stated that it would investigate ways to improve the monitoring mechanism for contracted deliverables. They added that the specific issue with milestone 5 on the core HR and Payroll project was that there was an error in the initial contract, the integration testing should have been linked to milestone 6 instead of milestone 5. During the execution, it was recognized and ensured that this was tracked, delivered and paid against the correct milestone. However,

WIPO accepted the recommendation and stated that as a part of future ERP project initiation documents, all tolerances would be documented.

For monitoring continuous progress of the project, EPMO has weekly meeting with concerned project team. The record of the meeting is kept as Weekly Project Status Report and updated in the Wiki. It has five heading namely, Activities Completed- Previous Period, Activities- Not Tracking to Plan, Activities Planned/Ongoing-Next Period, Issues, Problems or Concerns and Management Action Required.

We test checked the Weekly Project Status Report related to ERP HR Project- Phase I and found that several issues remained open for long period up to 83 weeks. It was further noticed that EPMO/ Project Teams were not doing any sensitivity analysis of the issues to understand the importance of it in the overall project governance and prioritize their mitigation whenever number of issues have been raised.

WIPO stated that they would consider using a simple sensitivity rating for each issue to help prioritization / escalation / resolution.

WIPO accepted the recommendation. In the future, as part of the monthly portfolio status report, issues will be colour coded based on a sensitivity analysis to help the portfolio board and others reading the document to clearly prioritize the issues that need attention. Once this has been successfully established, WIPO will encourage individual projects to perform the same sensitivity analysis and reporting of project-specific issues.

WIPO had proposed to implement the Electronic Document Management System (EDMS) for ERP in 2011. Importance of the EDMS was stated in the assumption to the cost

estimates as follows: “A strategic EDMS will be agreed and the parts which will support the ERP will be implemented during 2011 as a project within the portfolio. This will provide a solution for the ERP related paper based documents, covering handling, workflow, and storage outside of the ERP through the Organization’s selected specialist document management tool. A delay in the decision or the implementation of the EDMS will impact the other project timeframes and/or costs.” EDMS was shown as a cost item under AIMS Enhancement. Later in 2014, progress report (WO/PBC/22/15) indicated that EDMS would be implemented as a part of Information and Communication Technology Department capital master plan initiative.

The changes in the different streams were mentioned in the progress reports submitted to Assemblies of MSs through PBC over the years but the new dimensions and impact of changes were not presented in the consolidated report to the Assemblies of the MSs. For example the impact of delay in the implementing EDMS to the ERP portfolio was not reported.

WIPO stated that the ERP Portfolio is considered to be one of the most comprehensively reported and transparent projects within WIPO. EDMS systems are not typically implemented at the same time as implementing an ERP. The majority of

- i. In eight cases, the annual re-applications for 2012

than five years in order to demonstrate their continued proficiency in the languages for which they receive the allowance.

We reviewed eight cases from the list of staff members in receipt of language allowance to see whether further examination to demonstrate continued proficiency has been passed by the staff members. Further, we sought details of cases where review has been undertaken to the continued grant of language allowance where the staff member was transferred or appointed to a new position that required excellent knowledge in the language.

WIPO stated that they did not insist at the moment on further examination to demonstrate continued proficiency as the Rule uses the expression 'may be required' meaning that it is not obligatory to pass further examination for continuance of payment of Language Allowance. They accepted that no review was undertaken when the staff member was transferred or appointed to a new position that required the staff to be fully proficient in the language as per his or her appointment, and the staff members continued to be in receipt of the allowance.

We are of the opinion that the use of the word 'may' be in Rule would not amount to conferring discretion.

WIPO stated that they encourage internal lateral mobility of staff and discontinuing the language allowance in such cases would discourage staff from seeking lateral transfer opportunities and that requesting re-examination of language proficiency is administratively cumbersome and costly. WIPO confirmed that they will amend their rules and practice with regard to language allowance in line with the outcome of the UN system compensation package review, which may require amendments to Staff Rules.

As per Regulation 3.11, a non-pensionable special post allowance (SPA) shall be paid to any staff member on a fixed-term, permanent or continuing contract who is temporarily required to assume the responsibilities and duties of a vacant post at a grade higher than that of the post he or she occupies. This allowance shall be payable as from the date the staff member has performed for a continuing period of six months the full duties of the higher-grade post, which is entrusted to him or her. Any extension of the allowance beyond 12 months may only be authorized under exceptional circumstances. In no event shall such further extension exceed 12 months.

As per Regulation 3.22, except where otherwise provided for, any entitlement to an allowance, grant, or other payment arising from the SRR shall lapse two years after the date on which the staff member would have been entitled to the payment.

On review of the five cases of SPA drawn during 2012-2014, the following issues emerged:

- i. A staff member was continued to perform the functions of the higher post since January 2013, and was drawing SPA since July 2013. HRMD stated that exact scope of the service needed further definition and they were not ready to launch the recruitment for a fixed-term post.

In another case, the entitlement of the SPA to a staff member for the period May 2012

WIPO accepted the recommendation. They shared the audit concern regarding allocation of an SPA for a long period of time, and this was in fact the reason for a review of the SRR to introduce a time limit.

Analysis of the information on fraud/presumptive fraud provided by the office of the Director, Internal Audit and Oversight Division (IAOD) indicated that three new cases of fraud / presumptive fraud were registered in 2014 and two were closed because the allegations were not substantiated. As at 31 December 2014, the number of open cases of fraud or alleged fraud was four.

- Other small losses incurred throughout the year, principally on payments against accounts receivable, totalled 20,759.41 Swiss francs;
- Amounts charged to the Organization concerning the operation of Special Accounts for voluntary contributions totalled 20,935.90 Swiss francs during 2014.


Shashi Kant Sharma
Comptroller and 


		<p>policy and to preparing a separate ASHI investment policy. The Investment Advisory Committee is to organize a meeting(s) with an external expert(s).</p>	
<p>Financial Audit</p>	<p>WIPO may consider conducting annual stock verification of high value assets.</p>	<p>An annual verification of high value assets was completed internally in</p>	

	<p>PCT Debtors to reflect the actual amounts outstanding against PCT applications.</p>		
<p>Financial Audit</p>	<p>WIPO may consider maintenance of the accounting data relating to fee received and receivable in respect of PCT applications in the related currencies for every application / receiving office.</p>	<p>WIPO developed a methodology for calculating unrealized gains/losses on PCT debtors in currencies other than the Swiss franc. A calculation has been prepared for inclusion in the 2014 year-end financial statements.</p>	<p>The unrealized gains/losses have been worked out and accounted in 2014 financial statements.</p>

MANAGEMENT'S RESPONSES TO THE RECOMMENDATIONS MADE BY THE EXTERNAL AUDITOR

Recommendation no.1

WIPO may expedite the process of reconciliation of outstanding claims with US Tax authorities.

Response

The recommendation is noted, however it is reiterated by Management that the process of reconciliation can only be completed if the US Tax authorities are able to provide sufficient detail behind the reimbursements which have been made to the Organization.

Recommendation no.2

WIPO may disclose details of heritage assets including works of art in the Notes to the Financial Statements and may take steps for strengthening the security systems to prevent further loss of such assets.

Response

In the particular case of heritage assets or works of art, IPSAS specifically states that recognition of these is not required. IPSAS does not require disclosure of heritage assets which have not been recognized in the financial statements. Further, the current UN Task Force guidance on heritage assets is to not recognize them in the financial statements. WIPO Management notes the recommendation, and proposes to discuss the issue of heritage assets at the next UN Task Force meeting in October 2015. Following this, consideration will be given to the possibility of more detailed disclosure for the 2015 financial statements.

Upon publication of a new Office Instruction on Assets Management, responsibility for the collection of works of art will fall under the Premises Infrastructure Division, and various measures, including strengthening the security systems, wiH coS,f-w]f0:Ch2Swf0fk[Ce2f8w[:80C 2,8S[fCi2f0w0

Recommendation no.8

WIPO may continue to engage with various stakeholders and prepare a time bound action plan for generating customized/exception reports.

Response

WIPO will continue to work closely with all stakeholders. To this end, monthly meetings will be held to identify, capture and prioritize reporting requirements.

Recommendation no.9

WIPO may strengthen its contract management and monitoring mechanism for smooth and timely delivery of deliverables/services under defined milestones and augment documentation relating to contract modification.

Response

WIPO will ensure that any future modifications to contracted deliverables/services under defined milestones would be documented and reflected in a revised contract with the supplier.

Recommendation no.10

WIPO may consider documenting the justification for non-development of stage plans in future.

Response

WIPO will document any PRINCE2 tailoring, such as no stage plans, that is being performed as part of future ERP project initiation documents.

Recommendation no.11

WIPO may, in future, consider explicitly defining the tolerance limits for projects and various stage plans.

Response

WIPO will document all tolerances, even those that are implied, as part of future ERP project initiation documents.

Recommendation no.12

WIPO may consider carrying out a sensitivity analysis of issues raised during the EPMO/Project Board meeting based on their criticality.

Response

WIPO has already introduced a colour coded sensitivity analysis as part of the monthly portfolio status report to help the portfolio board and others reading the document to clearly

prioritize and focus on the issues that need attention. WIPO will encourage individual projects to perform the same sensitivity analysis and reporting of project-specific issues.

Recommendation no.13

Recommendation no.18

The provisions of office instructions in the case of rental subsidy may be followed in a timely manner.

Response

This recommendation has been implemented.

Recommendation no.19

We recommend:

(a) further examination to demonstrate continued proficiency of staff members in receipt of Language Allowance may be undertaken; and

(b) review of continued grant of Language Allowance needs to be undertaken when the staff

The RMG reviewed the First Semi-Annual Risk Management Report of WIPO at its third session in August 2014. In the course of its other

and appropriate responses from management with regard to audit recommendations and implementation of the same. Finally, the IAOC keeps Member States informed of its work on a regular basis and reports annually to the Program and Budget Committee (PBC) and to the General Assembly,

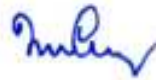
- The Joint Inspection Unit (JIU) of the United Nations System,
- The External Auditor, whose comments are submitted to the PBC and the Assemblies, and
- The Governing Bodies' observations.

Conclusion

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

As Director General, I ensure that the “tone at the top” is a clear message that rigorous internal control is critical to the Organization and I am committed to addressing any weaknesses in internal controls noted during the year and to ensure that continuous improvement of the system of internal controls is in place.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the Organization's financial statements nor are there significant matters arising which would need to be raised in the present document for the year ended December 31, 2014.



Francis Gurry
Director General

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