

WORKING GROUP OF THE PROGRAM AND BUDGET COMMITTEE

Informal Session Geneva, May 23 to 25, 2005

PROPOSAL ON THE ESTABLISHMENT OF AN AUDIT COMMITTEE

1. The Working Group of the Program and Budget Committee

Having met informally and considered proposals on the establishment of a WIPO Audit Committee, as requested by the WIPO Program and Budget Committee,

Noting that the Joint Inspection Unit (JIU) has called for an active and robust role of Member States in exercising their “Board of Directors” function (JIU/REP/2005/1),

Recognizing existing mechanisms for control and oversight in WIPO,

Noting that WIPO may need further control and oversight mechanisms to complement the above-mentioned existing mechanisms,

Transmits to the WIPO General Assembly for consideration at its September 2005 session the following proposal on the immediate establishment of a WIPO Audit Committee that will submit regular reports to the Program and Budget Committee, which will transmit them, with its recommendations, to the next session of the General Assembly.

2. The Audit Committee of WIPO shall have the following terms of reference:

(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) Overseeing the new construction project.
- (b) Focusing assurance resources by:
 - (i) Agreeing and approving the audit plans and arrangements for internal and external audit;
 - (ii) Encouraging liaison between the internal and external audit functions;
 - (iii) 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) Monitoring audit performance by:
 - (i) Ensuring the timely, effective and appropriate responses from management with regard to audit recommendations;
 - (ii) Monitoring the delivery and content of financial statements in accordance with the requirements of the Financial Regulations;
 - (iii) Confirming that audit recommendations have been implemented;
 - (iv) Monitoring the Secretariat's implementation of the recommendations made by the Joint Inspection Unit (JIU);
 - (v) Overseeing the desk-to-desk review recommended by the JIU.
- (d) The Audit Committee shall make recommendations to the Program and Budget Committee on issues within the terms of reference of the Audit Committee, as it considers appropriate.

3. The Working Group of the Program and Budget Committee further

Recommends that the Audit Committee meet regularly, in general every quarter, and keep Member States informed of its work on a regular basis;

Recommends that the members of the Audit Committee have the qualifications and skills required, and be elected for a period of two years. Members should possess relevant qualifications and experience in auditing, accounting, risk management and other financial and administrative matters;

Recommends that the said members should have or acquire soon an understanding of the objectives of the Organization, its structure and its culture, and the relevant rules governing it;

Recommends that the Committee should corporately possess the following competencies:

- (a) Technical or specialist 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.

Recommends that the Audit Committee shall have nine members and that they shall be selected as follows:

- (a) Seven members shall be nominated by Member States and elected by the Program and Budget Committee. Expertise as well as geographical distribution should guide the selection process.
- (b) One member shall be selected by the above-mentioned seven members of the Audit Committee based on his/her qualifications as a senior oversight professional or senior manager in the United Nations system.
- (c) One member shall be selected by the above-mentioned seven members of the Audit Committee based on his/her qualifications as a senior oversight professional or senior manager from outside of the United Nations system.

Recommends that the Controller and the ~~External~~ and Internal Auditor of WIPO and any other person—if required—may attend meetings on the invitation of the Audit Committee. The WIPO Internal Audit Division shall provide support services to the Committee;

Recommends that the Chair of the Audit Committee be selected by the members of the Committee;

Recommends to review the mandate, functioning and membership of the Audit Committee at the end of two years.

[End of document]