



Internal Oversight Division

Reference: IA 2014-05

Audit Report

Audit of Asset Management

March 6, 2015

TABLE OF CONTENTS

LIST OF ACRONYMS..... 3

EXECUTIVE SUMMARY..... 4

1. INTRODUCTION..... 5

 (A) BACKGROUND 5

 (B) OBJECTIVES..... 6

 (C) SCOPE AND METHODOLOGY 6

2. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS..... 7

 (A) GOVERNANCE AND ORGANIZATIONAL FRAMEWORK FOR ASSET
MANAGEMENT 7

 (B) TRACKING AND MONITORING OF ASSETS 9

 (C) MANAGEMENT OF WORKS OF ART AND OTHER DONATIONS..... 11

TABLE OF RECOMMENDATIONS 14

LIST OF ACRONYMS

AIMS	Administrative Integrated Management System
FRR	Financial Regulations and Rules
IAMS	Inventory and Asset Management Section
ICTD	Information and Communication Technology Department
IOD	Internal Oversight Division
OI	Office Instruction
PEMS	Protocol and Event Management Section
PI	Performance Indicator
PID	Premises Infrastructure Division
PSB	Property Survey Board
SSCS	Safety and Security Coordination Service
WIPO	World Intellectual Property Organization

EXECUTIVE SUMMARY

1. The Internal Oversight Division (IOD) conducted an audit of asset management in WIPO, in line with its 2014 Oversight Work Plan. The main objective of the audit was to review the effectiveness and efficiency of governance, risk management and compliance processes for the management of WIPO's physical assets.
2. The audit coincided with the process undertaken by management to review the existing Office Instruction on Property Management. The proposed Office Instruction, which is still in the draft stage at the time of the writing of this report, is expected to provide clarity in WIPO's organizational structure in the allocation of roles and responsibilities concerning property management. In IOD's view, the revision of the Office Instruction on Property Management is a timely exercise by management in light of the organizational changes in WIPO.
3. The audit results indicated that the processes for the receipt, recording, safekeeping, maintenance and disposal of physical assets were robust although internal controls, around the tracking and physical verification of assets could be further improved.
4. Several asset records in the asset database were found to have inaccurate or missing location information. In some instances, the information about custodians of assets was incorrectly recorded.
5. With regard to management of works of art, there was a duplication of efforts as two separate databases were maintained for recording of works of art. Management is aware of this issue and was working on the proper corrective action at the time of the writing of this report.
6. Defining Key Performance Indicators (KPIs) concerning asset management in the program and budget for the next biennium would enable management to assign accountability and better monitor the performance of concerned WIPO programs with regard to their responsibilities in managing WIPO's assets.

1. INTRODUCTION

(A) BACKGROUND

7. Fixed assets comprise a significant proportion of WIPO's total assets. As at the end of the financial year 2013, the value of the WIPO's fixed assets amounted to 362.4 million Swiss francs. This represented 38% of the total assets and 90% of the non-current assets of WIPO.

8. A large proportion of WIPO's fixed assets consist of buildings. The pie-chart below provides a break-up of fixed assets at year-end 2013¹. Work in Progress includes the New Conference Hall and the Security Construction¹.

Chart 1: Break-up of Fixed Assets by Value

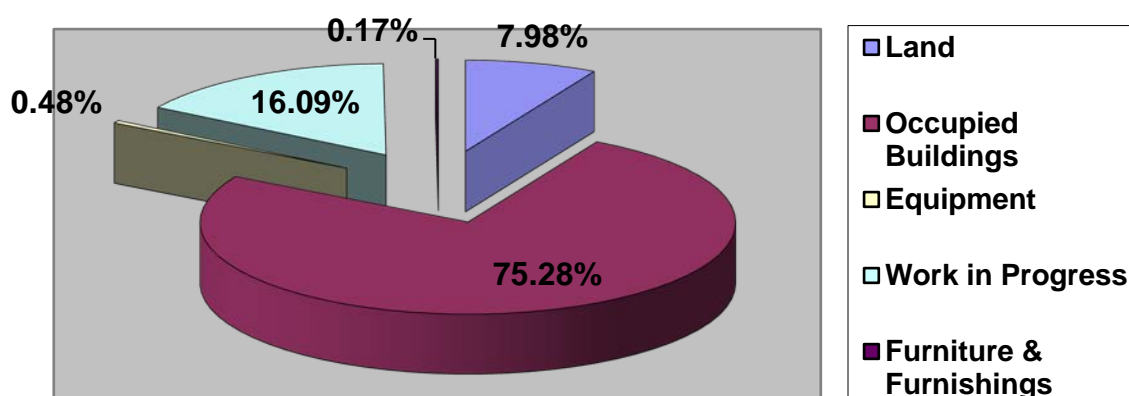


Table 1: Comparison of Assets Values 2011-2013²

Asset Class/ Year	2011	2012	2013
Land	28,600	28,600	28,600
Occupied Buildings	283,831	277,739	273,839
Equipment	3,010	1,905	1,721
Furniture & Furnishings	720	612	603
Work in Progress	26,334	32,008	34,960

9. WIPO Financial Regulations and Rules (FRR) promulgate rules concerning property management³. These rules cover authority and responsibility for property management,

¹ Source: WIPO Annual Financial Report and Financial Statements 2013.

² Net carrying amount in thousands of Swiss francs as per WIPO Annual Financial Statements for the financial years 2011, 2012 and 2013

³ WIPO Financial Regulations and Rules – Part D – Property Management. For the purpose of this audit Regulations, Rules and Office Instructions applicable as of January 1, 2014, were used.

establishment of a property survey board, sale/disposal of property and physical verification of property. They form the basis for the management of fixed assets in WIPO.

10. In addition to the fixed assets that form part of WIPO's Statement of Financial Position, WIPO holds other assets, which are in the nature of fixed assets – namely works of art. Works of art are not recognized as assets in WIPO's Statement of Financial Position but carry significant reputational risk for WIPO.

11. Office Instruction No. 09/2012 entitled "WIPO Property Survey Board: Rules and administrative procedures" (under revision as at the time of this audit) provides for the detailed administrative procedures concerning the functioning of the WIPO Property Survey Board (PSB) in the management of assets.

(B) OBJECTIVES

12. The main objective of this audit was to assess the adequacy and effectiveness of governance, risks and control processes over the management of fixed assets and works of art. The audit reviewed the adequacy of the policy and procedures, the proper identification of risks and mitigating measures related to asset management, and checked the design and implementation of management controls in place.

(C) SCOPE AND METHODOLOGY

13. The audit scope covered the adequacy and effectiveness of governance, risks and controls over management of fixed assets (i.e. acquisitions, recording and amortization, tracking and monitoring, disposal and retirement, adjustments and ledger maintenance and segregation of duties) and works of art. The audit period included the financial years 2012, 2013 and until the end of June 2014.

2. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

(A) GOVERNANCE AND ORGANIZATIONAL FRAMEWORK FOR ASSET MANAGEMENT

(i) Regulations and Rules Concerning Asset Management

14. The basic provisions for the management of assets are contained in WIPO's Financial Regulations and Rules⁴ (FRR, Chapter 5, Section D titled "Property Management"). These rules provide the basis for the management of WIPO property, which includes physical assets. In addition to the FRR, a number of Office Instructions⁵ (OIs) have been issued over the years, which form part of the policies and procedures dealing with the subject of property management.

15. The rules for property management cover the following topics:

- (a) Authority and Responsibility;
- (b) Establishment of a Property Survey Board;
- (c) Sale/ disposal of property; and
- (d) Physical verification of property.

16. Although the term "property" is used extensively in these rules, it is not properly defined in the context of the FRR or in OIs. Furthermore, the terms "non-expendable property" and "non-expendable equipment" are also used under rules 105.29 and 105.33 respectively.

17. While the general meaning of these terms may be used in their interpretation, it leads to ambiguity in their meaning when policies and procedures concerning property management, are issued with reference to these rules. To ensure a consistent interpretation of the meaning of these terms used in connection with property management as specified in the FRR, it is essential that the terms are clearly defined in official WIPO documents which deal with property management (FRR or OIs).

(i) Organizational Responsibilities for Asset Management

18. At the time of the writing of this report, IOD was informed that the Office of the Controller is in the process of drafting a revised Office Instruction on Property Management which is also expected to clearly define the responsibilities for property management within WIPO and also include provisions for the management of works of art.

(ii) Property Survey Board

19. The PSB is established under Rule 105.30 of the WIPO FRR. The terms of reference of the board are prescribed under Office Instruction No. 09/2012.

20. The present composition of the PSB was established through Office Instruction No. 1/2011 and comprised of five members of whom two members are no longer employed with the organization. The PSB last met in session on February 21, 2013, and since then there have

⁴ Rules 105.29 to 105.33

⁵ Office Instructions No. 6/2009 (Establishment of a WIPO Property Survey Board), No. 1/2011 (WIPO Property Survey Board) and No. 9/2012 (WIPO Property Survey Board – Rules and administrative procedures).

been no formal sessions of the PSB. However, PSB decisions are still taken with respect to disposal of assets through agreement via internal memoranda.

21. As the PSB is now functioning with the minimum prescribed quorum of three members⁶, it may not be able to effectively carry out its responsibilities *vis-à-vis* property management in WIPO due to the limitations on the availability of all members. IOD understands that the Office of the Controller is working on a comprehensive revision of the Office Instruction on Property Management which includes the revised composition of the PSB. IOD has also provided its feedback on draft versions of the proposed Office Instruction.

(iii) Performance Indicators for Asset Management

22. The WIPO Program and Budget identifies certain performance indicators (PIs) which are used to measure the performance of programs against certain targets. PIs are an important management tool by which the effectiveness of the activities undertaken by responsible divisions can be gauged.

23. The WIPO Program and Budget for the biennia 2014/15 and 2012/13 do not contain any direct PI concerning asset management. Therefore, during the period in which the IAMS was operational, there was no direct measure of their performance defined in the Program and Budget to be reported to Member States.

24. The absence of well-defined SMART⁷ performance indicators for asset management may lead to:

- (a) Lack of accountability of the respective organizational division for the functions expected to be performed by them; and
- (b) Good or poor performance by organizational divisions with respect to their asset management responsibilities may go undetected and unreported.

Recommendations

The Department of Program Planning and Finance should:

1. Clearly define the terms used in relation to property management in the proposed revision of the Office Instruction on Property Management or other policies and procedures as appropriate. (Priority: Medium)
2. In collaboration with the Premises Infrastructure Division and the Information and Communication Technology Department, develop relevant performance indicators for asset management for inclusion in the 2016-2017 biennial budget. (Priority: Medium)

⁶ Office Instruction No. 9/2012 – Annex – WIPO Property Survey Board: Rules and administrative procedures – paragraph 5 “Meetings of the PSB shall be called by the Chairperson or Vice Chairperson at his/her initiative or at the request of PSB members. The Chairperson or Vice Chairperson may invite other persons, in the capacity of observers for consultative purposes, at PSB meetings prior to decisions or recommendations being made. Observers are invited only to attend the meeting for a specific reason. A quorum, consisting of the presence of at least three PSB members is required to hold a meeting. Decisions are taken by consensus. In the absence of the Chairperson and the Vice Chairperson, the members attending the meeting shall select a temporary chairperson from among the PSB members present.”

⁷ SMART – Specific, Measurable, Achievable, Realistic and Time-bound.

(B) TRACKING AND MONITORING OF ASSETS

25. One of the elements of a good asset management process is the maintenance of accurate records of the physical location of assets, their custodian if assigned to a specific individual and periodic and systematic physical verification of the existence and condition of assets.

26. The system used for tracking assets in WIPO is through the assignment of unique asset tags in the form of bar code labels for each asset recorded in the asset management database. When an asset is received at the designated WIPO receiving location, responsible staff members assign a bar code label on the item, which is then recorded in the Administrative Integrated Management System (AIMS), thereby allowing for the tracking of an asset.

(i) Physical Verification of Assets

27. Until 2013, the IAMS performed the physical verification of assets on an on-going basis during a financial year and an annual report was issued with the results of their verification, at the end of each year.

28. With effect from 2014, a new process was adopted for the physical verification of assets⁸. Under the new process, the physical verification process would be outsourced to an external contractor based on competitive bidding. Furthermore, the following methodology has been adopted for the physical verification of assets:

(a) In a first year of a biennium, the following items will be verified – (i) all items with a value higher than 1,000 Swiss francs⁹, (ii) all works of art, regardless of value, (iii) all attractive items regardless of value; and

(b) In the second year of a biennium, all items with a value above 5,000 Swiss francs will be verified.

29. In July 2014, an external firm conducted the physical verification of fixed assets existing in WIPO books of account as at December 31, 2013. This verification followed the new methodology described above. A report with the results of their verification process and recommendations was provided to WIPO management in August 2014.

30. However, this new process and methodology is yet to be formally documented. To ensure that physical verification of fixed assets is performed consistently in accordance with an approved process, this needs to be formally documented as an organizational policy and formally communicated to relevant stakeholders.

31. IOD conducted a physical verification of a random sample of 25 fixed assets costing about 23 million Swiss francs, which were recorded in the asset management database. The objective was to ascertain the physical existence of those assets and verify the accuracy of the information recorded in the asset management database.

32. Missing items noted as a result of physical inventory verification should be promptly followed up by management to find out whether the items are indeed missing or whether they may have been misplaced in an alternative location.

(ii) Asset Tags – Bar Code Labels

⁸ In its meeting of March 7, 2013, the WIPO PSB recommended, based on prevailing practices in the UN system, that the monetary threshold for tracking assets be raised from 100 Swiss francs to 1,000 Swiss francs. This resulted in a significant reduction in the number of assets to be tracked.

⁹ Only assets with a cost above 1,000 Swiss francs are included in the asset management database, items with a cost below 1,000 Swiss francs are written off as expenditure in the year of purchase.

33. WIPO uses asset tags in the form of bar code labels to identify and track fixed assets. The physical verification of fixed assets inventories are performed by scanning the bar code labels on assets using a bar code reader. This information is stored in the bar code reader and, on completion of the exercise, the stored information is transferred to the asset management database where it is matched to the asset records.

34. Presently, when an asset tag is scanned using the bar code reader, there is no description of the item displayed and only the bar code information is shown on the screen. IOD understands that there is a provision to feed the description information into the bar code reader so that the description of an asset as per the asset management database is displayed when an item is scanned. However, this could potentially slow down the process of scanning as it is a memory intensive process where the bar code reader would need to search through a large number of records to identify the item description for the scanned item.

(iii) Asset Management Database – Asset Location and Custodian

35. The rules and administrative procedures of the WIPO PSB require¹⁰ that the assigned location and custodian of assets be properly recorded in the AIMS asset management database.

(iv) Mobile Assets and “Attractive” Items

36. WIPO accounting policy recognizes equipment as assets where their cost is 5,000 Swiss francs or more. In case of equipment with a cost between 1,000 and 4,999 Swiss francs, they are recorded in the asset management database as an asset which is fully depreciated in the year of purchase. Items costing below 1,000 Swiss francs are not recorded as assets and the cost related to these items is treated as revenue expenditure.

37. However, a large number of items under the threshold of 1,000 Swiss francs fall within the category of “attractive items”. These include items such as smart phones and laptop computers.

38. At the time of the writing of this report, the Finance Division confirmed that all such mobile assets have been brought into the AIMS asset management database since the conclusion of the audit fieldwork in October 2014.

(v) Stolen Assets

39. The WIPO PSB rules require that each equipment custodian notifies the Safety and Security Coordination Service (SSCS) when an item of WIPO asset for which they are responsible is lost or stolen.

¹⁰ Annex to Office Instruction No. 09/2012 – WIPO Property Survey Board: Rules and administrative procedures. Paragraph number 10 – “The Head of the Inventory and Asset Management Section shall be responsible for:
- ensuring that the equipment is properly recorded in the AIMS Asset Management database including the assigned location, custodian (a clearly identified employee should be designated as custodian of all new equipment by the Head of the Unit to which the equipment has been assigned), serial number, model description, barcode number, warranty period and other information specified by the Contoller.

Recommendations

The Department of Program Planning and Finance:

3. Together with the Premises Infrastructure Division and the Information and Communication Technology Department, should develop and implement a procedure for the accurate and timely recording of location and custodian information in the asset management database for newly acquired and existing assets. (Priority: High)

The Information and Communication Technology Department:

4. Should incorporate the mandatory usage of laptop locking cables by WIPO users in the Information Security Policies and periodically generate awareness among WIPO laptop users about the need to secure their laptop computers at all times. (Priority: Medium)

(C) MANAGEMENT OF WORKS OF ART AND OTHER DONATIONS

40. Periodically WIPO receives donations in the form of works of art and other items from third parties including Member States. Presently the management of these items is performed by the Media and Events Section¹¹ (MES) within the Communication Division.

41. The current practice is that the MES receives a completed Official Gifts Declaration Form along with the donated item from the Office of the DG. Items are put into storage unless there are specific instructions for their display in a location. The receipt of the item is recorded in an in-house developed system called MRS which helps capture details specific to works of art.

42. Although the MRS system is maintained by the MES, the AIMS is also updated by the Finance Division with the details of the works of art received based on information received from MES. For the purpose of physical verification of these items, the AIMS records are used as a reference and not the MRS database.

43. The two systems are maintained in parallel with details of the same items being recorded. However, the information contained in the two parallel systems has not been reconciled to check whether the information recorded is complete and accurate.

44. It is a duplication of effort to maintain two systems, which track information about the same items. In the absence of periodic reconciliation procedures to reconcile the information contained in these systems, accuracy and completeness of information contained in either systems cannot be verified.

Recommendations

5. The Department of Program Planning and Finance (DPPF) should reconcile the records about works of art between the AIMS asset management database and the MRS system to ensure that the records are complete and

¹¹ IOD understands that consequent to the issuance of Office Instruction No. 68/2014, the responsibility for management of works of art no longer rests with the Media and Events Section and will be performed by the Protocol and Event Management Section until further notice.

accurate. The DPPF should avoid duplication of entry in two systems by automating the process for transfer of data from MRS to AIMS. (Priority: Medium)

6. The results of the physical verification of works of art and other assets should be systematically reported to the WIPO Property Survey Board who will take appropriate action. (Priority: Medium)

ACKNOWLEDGMENT

IOD wishes to thank all relevant members of staff for their assistance, cooperation and interest during this assignment.

Prepared by: Sashidhar Boriah

Reviewed by: Tuncay Efendioglu

Approved by: Thierry Rajaobelina

TABLE OF RECOMMENDATIONS

No	Recommendations	Priority	Person(s) Responsible	Management Comments and Action Plan	Deadline
1.	The Department of Program Planning and Finance should clearly define the terms used in relation to property management in the proposed revision of the Office Instruction on Property Management or other policies and procedures as appropriate.	Medium	I. Boutillon M. Bona	The relevant terms will be defined in the OI on asset management. Closure event: issuance of OI on Asset Management.	End June 2015
2.	The Department of Program Planning and Finance should, in collaboration with the Premises Infrastructure Division and the Information and Communication Technology Department, develop relevant performance indicators for asset management for inclusion in the 2016-2017 biennial budget.	Medium	C. Narayanaswamy M. Bachner W. Lei I. Boutillon	This is part of the PB2016/17 exercise, with the dates of the budget process applying accordingly, and eventually the approval by Member States at the 2015 Assemblies, for entry into force on January 1, 2016. Closure event: Publication of the P&B 2016/17	January 1, 2016
3.	The Department of Program Planning and Finance, together with the Premises Infrastructure Division and the Information and Communication Technology Department, should develop and implement a procedure for the accurate and timely recording of location and custodian information in the asset management database for newly acquired and existing assets.	High	C. Narayanaswamy J. Cook Robbins I. Boutillon W. Lei	The procedure will be defined in the OI on asset management. Closure event: issuance of OI on Asset Management.	End June 2015

No	Recommendations	Priority	Person(s) Responsible	Management Comments and Action Plan	Deadline
4.	The Information and Communication Technology Department should incorporate the mandatory usage of laptop locking cables by WIPO users in the Information Security Policies and periodically generate awareness among WIPO laptop users about the need to secure their laptop computers at all times.	Medium	D. Murathaty	<p>Policies are high level statements of management intent and typically do not specify the “how”. The current Acceptable Use Policy states that users must “Ensure that their workstation is either locked or logged out when it will be unattended, even for a short time”. Suggest that we not make a change to the existing policy which sufficiently covers the intent, rather increase awareness of staff about the need to lock their laptops with cable locks when in WIPO premises.</p> <p>Closure Event: Updating the upcoming refresh of the current Information Security Awareness CBT with requirements to have users lock their laptops with cable locks.</p>	End August 2015
5.	The Department of Program Planning and Finance (DPPF) should reconcile the records about works of art between the AIMS asset management database and the MRS system to ensure that the records are complete and accurate. The DPPF should avoid duplication of entry in two systems by automating the process for transfer of data from MRS to AIMS.	Medium	C. Narayanaswamy J. Cook Robbins I. Boutillon	<p>Reconciliation of records related to works of Art in the AIMS asset management database and the MRS system will be done after the financial closure of 2015.</p> <p>Closure Event: Reconciliation File available for review by IOD</p> <p>Following the reconciliation process, the data entry procedure</p>	<p>End 2016</p> <p>End 2016</p>

No	Recommendations	Priority	Person(s) Responsible	Management Comments and Action Plan	Deadline
				<p>into AIMS and MRS systems will be reviewed in order to ascertain how best to avoid duplication of entry, including the possible automation of the process for the transfer of data from MRS to AIMS.</p> <p>Closure event: The elimination of duplicate data entry into the two systems (AIMS and MRS).</p>	
6.	The results of the physical verification of works of art and other assets should be systematically reported to the WIPO Property Survey Board who will take appropriate action.	Medium	I. Boutillon M. Bona	<p>The requirement for the result of the physical verification of works of art and other assets to be systematically reported to the WIPO PSB will be incorporated in the OI on asset management.</p> <p>Closure event: issuance of OI on Asset Management.</p>	End June 2015

[Annex 1 follows]

ANNEX 1: PRIORITY OF RECOMMENDATIONS

The recommendations are categorized according to priority, as a further guide to WIPO management in addressing the issues. The following categories are used:

Priority of Audit Recommendations	Nature
Very High	<p>Requires Immediate Management Attention. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:</p> <ul style="list-style-type: none"> • Substantial losses. • Serious violation of corporate strategies, policies, or values. • Serious reputation damage, such as negative publicity in national or international media. • Significant adverse regulatory impact, such as loss of operating licenses or material fines.
High	<p>Requires Urgent Management Attention. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> • Financial losses. • Loss of controls within the organizational entity or process being reviewed. • Reputation damage, such as negative publicity in local or regional media. • Adverse regulatory impact, such as public sanctions or immaterial fines.
Medium	<p>Requires Management Attention. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the organizational entity or process being audited. Risks are limited. Improvements that will enhance the existing control framework and/or represent best practice.</p>

[End of annex I and of document]