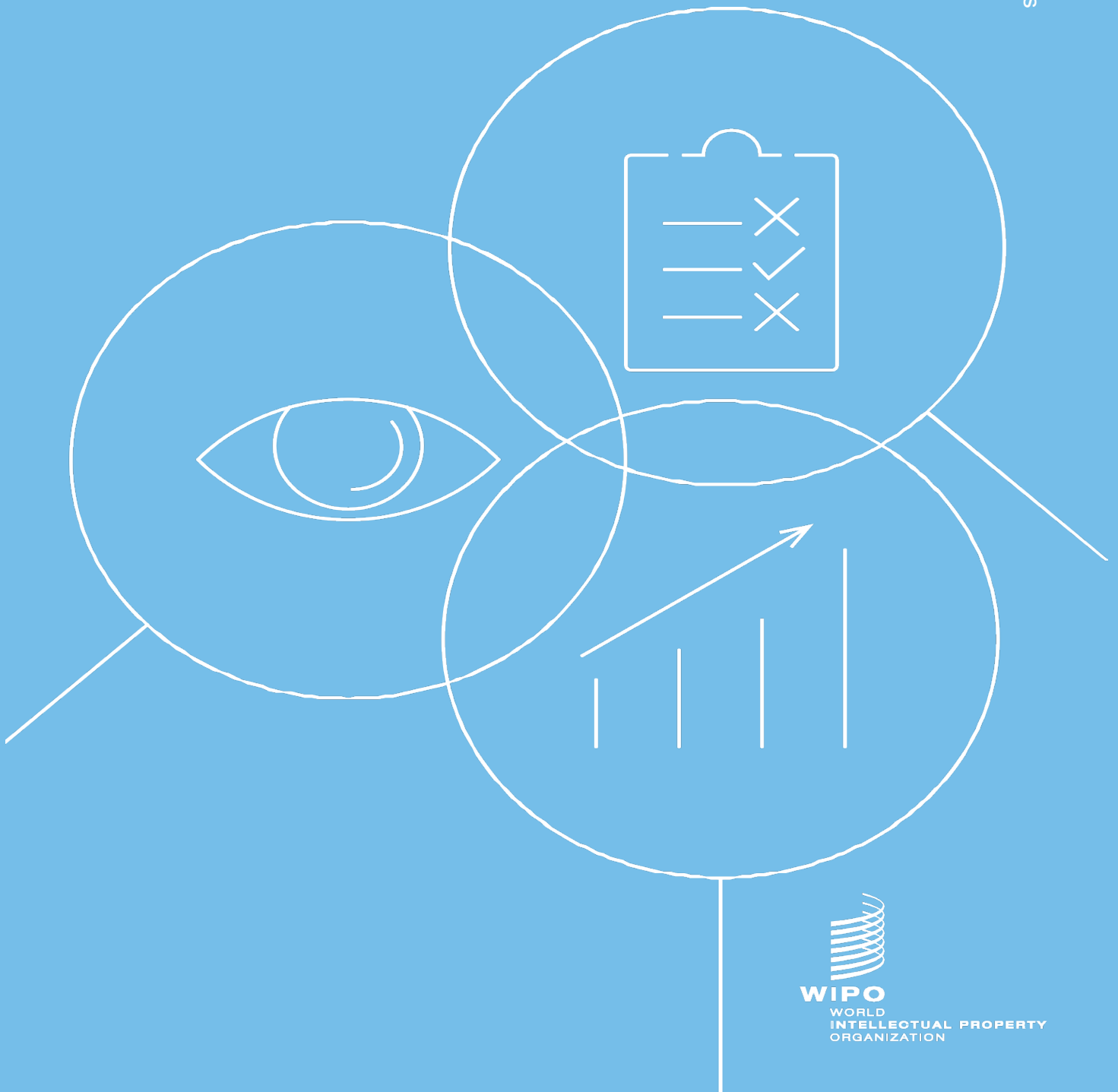


# Audit of the Management of Assets, Supplies and Materials

Internal Oversight Reports



IOD Ref: IA 2021-04  
March 31, 2022  
Internal Audit Section

Note: Parts of the original report were withheld or redacted on grounds of information security.

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## LIST OF ACRONYMS

<b>AFMS</b>	Administration, Finance and Management Sector
<b>AIMS</b>	Administrative Integrated Management System
<b>AM</b>	Asset Management
<b>COVID-19</b>	Coronavirus Disease 2019
<b>DEAAD</b>	Diplomatic Engagement and Assemblies Affairs Division
<b>FRR</b>	Financial Regulations and Rules
<b>HRMD</b>	Human Resources Management Department
<b>ICS</b>	Individual Contractor Services
<b>ICT</b>	Information and Communication Technology
<b>ICTD</b>	Information and Communication Technology Department
<b>IOD</b>	Internal Oversight Division
<b>IT</b>	Information Technology
<b>ITSM</b>	IT Service Management
<b>JD</b>	Job Description
<b>OI</b>	Office Instruction
<b>PEMD</b>	Protocol and Event Management Division
<b>PID</b>	Premises Infrastructure Division
<b>PMFP</b>	Property Management Focal Point
<b>PSB</b>	Property Survey Board
<b>PTD</b>	Procurement and Travel Division
<b>SIAD</b>	Security and Information Assurance Division
<b>WIPO</b>	World Intellectual Property Organization

## EXECUTIVE SUMMARY

1. The Premises Infrastructure Division (PID) under the Administration, Finance and Management Sector (AFMS) is responsible for maintaining the policy guidance and procedures, recording and keeping up to date all asset-related physical details in the Asset Management (AM) module in the Administrative Integrated Management System (AIMS)<sup>1</sup>. In addition, the Division is responsible for managing the collection of works of art<sup>2</sup> and donations, overseeing the regular annual physical inventory exercise, including assigning and managing the equipment under their responsibility.
2. Further, the Information and Communication Technology Department (ICTD) is responsible for managing the lifecycle of the Information and Communication Technology (ICT) equipment, which includes receiving and assigning the equipment. The Security and Information Assurance Division (SIAD) is responsible for managing the lifecycle of safety and security related equipment while Diplomatic Engagement and Assemblies Affairs Division (DEAAD) is responsible for managing vehicles of the official car fleet.
3. Other business areas are involved in general and at various stages in managing assets, supplies and materials. These areas include the Procurement and Travel Division (PTD), the Department of Program Planning and Finance, and the Property Survey Board (PSB). These areas work together to ensure that the assets, supplies and materials are managed according to the regulatory and administrative framework of the Organization.
4. The Internal Oversight Division (IOD) noted some positive developments in managing selected categories of assets, supplies and materials. Specifically, the efficiency and effectiveness of managing motor vehicles of the official car fleet was enhanced by installing a fleet tracking application in five of the six vehicles. Further, adding a photograph to the product sheets of work of arts, official gifts, and property with a purchase value exceeding 5,000 Swiss francs enhanced the process of identifying and locating them.
5. IOD also noted opportunities to enhance the governance, efficiency and effectiveness of managing selected categories of assets, supplies, and materials in the Organization. These include, reviewing and revising relevant aspects of the current regulatory and administrative framework to reflect Organizational changes and practices. For example, PID needs to update the Property Management Manual and related guidance. Further, the current policies and procedures do not have explicit provisions that govern how decisions are taken on the timing, circumstances and optimal replacement of motor vehicles. In addition, the policies do not cover aspects such as the need to modernize the fleet and progressively move towards using more eco-friendly alternative models. Therefore, it is imperative for the Organization to develop a strategy for a more fit-for-purpose approach to managing the lifecycle of technical and non-technical motor vehicles, most of which have experienced their full estimated useful economic life.
6. Other useful measures include ICTD working with relevant internal stakeholders to develop and implement a process and procedures that help ensure that non-staff members and personnel promptly hand over ICT equipment at the point of separation from the Organization. In addition, the Organization would benefit from ICTD making appropriate changes to the relevant functionalities of the Information Technology (IT) Service Management tool. These changes entail configuring the tool to provide comprehensive, timely, and accurate current and historical data and reports on the full lifecycle of selected ICT equipment, such as laptops and mobile phones. Further, designing and developing compensating controls over ICT equipment

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<sup>1</sup> Administrative Integrated Management System (AIMS), the Organization's Enterprise Resource Planning system (ERP).

<sup>2</sup> Works of art include framed artwork, sculptures, decorative objects, furniture, tapestries/carpets commemorative objects, primitive arts, ceramic/porcelain, and silverware.

such as mobile phones would help provide some reasonable assurance on the existence, accuracy, and completeness of the inventory of mobile phones.

7. Finally, PID and ICTD should work with the other relevant internal stakeholders, particularly the Property Survey Board, to develop a plan with a set timeline for the disposal of unserviceable and obsolete inventories, which have gradually accumulated over the years and are taking up valuable space within the Organization.

8. IOD makes nine recommendations covering governance, strategy, internal control processes, and systems. Management will be addressing these recommendations during the course of 2022 and 2023.

## 1. BACKGROUND

9. The regulatory and administrative framework for managing assets, supplies and materials in the Organization consists of the Financial Regulations and Rules (FRR), Office Instruction (OI) No. 9/2017 Rev3 - WIPO Policy on Property Management, and relevant Information Circulars and standards. Further, the Property Management Manual outlines the operational details of the process and procedures for managing the Organization's property<sup>3</sup>. Specifically, the Manual outlines the principles that apply to the receiving, recording, using, reporting, maintaining, securing, and disposing of assets of the Organization.

10. In more detail, PID under AFMS is responsible for maintaining the policy guidance and procedures, recording and keeping up to date all asset-related physical details in the AM module in AIMS, managing the collection of works of art and donations, overseeing the regular annual physical inventory exercise, including assigning and managing the equipment under their responsibility.

11. ICTD is responsible for managing the lifecycle of ICT equipment which includes receiving and assigning the equipment. In addition, SIAD is responsible for managing the lifecycle of safety and security related equipment while DEAAD is responsible for managing vehicles of the official car fleet.

12. Other business areas are involved in general and at various stages in managing assets, supplies and materials. These areas include, but are not limited to, PTD, the Department of Program Planning and Finance, and PSB. These areas work together to ensure that the assets, supplies and materials are managed according to the regulatory and administrative framework of the Organization.

13. Further, the Organization holds heritage assets, referred to as works of art, representing items donated or loaned to the Organization by representatives and/or officials of Member States or other public/private entities or individuals. The works of art include paintings, sculptures, decorative objects, historical documents and other items.

14. The works of art<sup>4</sup> are not recognized as assets in the Statement of Financial Position but carry a considerable reputational risk for the Organization. All works of art are recorded in the AIMS Finance and benefit from existing security measures. In addition, they are included in the Organization's annual physical inventory count. The reported figure for 2021 based on the inventory verification conducted by an external service provider in November 2021, confirmed an increase of works of art from 592 in 2020 to 685 in 2021. The inventory of works of art is reported in the WIPO Annual Financial Report and Financial Statements.

15. Finally, AIMS, the Organization's Enterprise Resource Planning system, has an AM Module, which is used to record all financial-related and physical-related details of assets as defined by the OI<sup>5</sup> including capitalization amounts and residual values. Essentially, the AM Module is used to manage the lifecycle of the Organization's property. In addition, the Enterprise Risk Management system is used for recording and managing the relevant risks and mitigation measures related to the lifecycle of the Organization's property.

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<sup>3</sup> According to the OI No. 9/2017 Rev3, the term "property" shall be understood to include the following, regardless of their location: (a) any tangible item having an individual acquisition value of at least 5,000 Swiss francs; and (b) "works of art", regardless of their financial value (i.e., even if it is lower than 5,000 Swiss francs). Further, the term "property" shall be understood as not including items with an individual acquisition value under 5,000 Swiss francs, unless they are deemed to be works of art.

<sup>4</sup> Works of art include framed artwork, sculptures, decorative objects, furniture, tapestries/carpets commemorative objects, primitive arts, ceramic/porcelain, and silverware.

<sup>5</sup> Office Instruction No. 9/2017 Rev3 - WIPO Policy on Property Management.

## 2. AUDIT OBJECTIVES

16. The objectives of the audit assignment were to:
- (a) Review the governance, risk management, and effectiveness of internal controls in managing selected categories of assets, supplies and materials;
  - (b) Verify compliance with relevant and applicable WIPO regulations and rules, Office Instructions, Information Circulars, and procedures for managing selected categories of assets, supplies and materials; and
  - (c) Assess the adequacy, efficiency and effectiveness of tools and systems used to manage selected categories of assets, supplies and materials.

## 3. SCOPE AND METHODS

17. The assignment was planned and conducted in such a way as to obtain reasonable assurance that audit objectives were achieved. The audit approach and methods included: (i) interviews with relevant stakeholders; and (ii) review of documents and records. To abide by the Coronavirus Disease 2019 (COVID-19) safety measures, IOD optimized the use of information and communication technologies such as telephone, tele/video conferences, and electronic mail exchanges.

18. The audit was conducted within the limitations and challenges faced by the Organization in managing the COVID-19 pandemic. Specifically, the majority of WIPO personnel were working remotely, with a limited presence of staff members on-site to manage priority areas. The extensive offsite presence of staff members who were teleworking resulted in the Organization having to deploy ICT equipment to staff members within a limited time frame.

19. The audit covered the period from January 2020 to September 2021. The review included selected assets, including supplies, materials and equipment which were below the minimum established cost or value threshold for capitalizing an item of at least 5,000 Swiss francs per unit. In January 2020, the capitalization threshold was revised to 10,000 Swiss francs.

20. The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing (the Standards) issued by the Institute of Internal Auditors.

#### 4. AUDIT RESULTS – OUTCOME(S)

21. The objectives and outcomes of the engagement are summarized below. Further, IOD has made recommendations to address the outcomes of the audit.

S/n	Objective(s)	Outcome(s)
(a)	Review the governance, risk management, and effectiveness of internal controls in managing selected categories of assets, supplies and materials.	There are opportunities for the Organization to enhance the governance of assets, supplies and materials by reviewing and revising the current regulatory and administrative framework. For example, timely revision of relevant documents such as the Property Management Manual and related guidance to reflect Organizational changes and practices.
(b)	Verify compliance with relevant and applicable WIPO regulations and rules, Office Instructions, Information Circulars, and procedures for managing selected categories of assets, supplies and materials.	Some cases of non-compliance were highlighted; notably, unauthorised use of an official motor vehicle, and handover of ICT equipment by a non-staff member following the end of their contract.
(c)	Assess the adequacy, efficiency and effectiveness of tools and systems used to manage selected categories of assets, supplies and materials.	There are opportunities to optimize the use of the tool used to manage ICT equipment. Further, improving the processes and procedures relating to exit formalities for non-staff members/personnel at the end of their contracts would help in safeguarding equipment.

#### 5. AUDIT RESULTS - POSITIVE DEVELOPMENTS

22. IOD notes positive developments in managing selected categories of assets, supplies and materials. The Organization should continue to foster, optimize, and promote these developments and initiatives. These include, but are not limited to:

Area	Positive Development
Fleet Management	To improve fleet management efficiency, a Global Positioning System based fleet tracking application was installed in five of the six motor vehicles of the official car fleet. The application allows the Organization to trace and track the vehicles of the official car fleet in real-time.
Addition of photographs to Product Sheets of selected items in the AM Module.	PID undertook an exercise of photographing the works art collection, all official gifts and a significant portion of the items with a purchase value exceeding 5,000 Swiss francs. Adding an identifying photograph to the product sheet for each item has enhanced the process and efficiency of identifying and locating them.

#### 6. AUDIT RESULTS - OBSERVATIONS AND RECOMMENDATIONS

23. The ensuing observations and recommendations present opportunities to enhance the governance, and efficient and effective management of selected categories of assets, supplies and materials in the Organization.



(A) GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROLS

24. IOD notes that there are some areas in which the relevant governance, risk management and internal controls for managing selected assets, supplies and materials can further be enhanced. These areas are outlined below.

(i) Framework for Managing Assets, Supplies and Materials

25. A review of the framework for managing assets, supplies and materials shows that there is a need to align, revise and enhance the relevant policies and guidelines. Some provisions need to be updated, and aligned with the current practices in the Organization in order to support informed and reliable decision making. These specific areas, include, but are not limited to the following:

*Review of the Property Management Manual*

26. The WIPO Property Management Manual is prepared by PID pursuant to the WIPO Policy on Property Management<sup>6</sup>. Whereas the policy (OI) was revised in April 2021, the latest version of the Manual was published in September 2016 i.e., five years ago as at September 2021. It should be noted that the Manual is a living document that is subject to review and update as often as necessary.

27. Over the last few years, there have been some changes in the regulatory framework, procedures and/or processes described in the Manual. In addition, there have been some Organizational changes resulting in some divisions and/or departments being established, renamed, or discontinued. Notably, some activities relating to managing assets in the respective Divisions/Departments were transferred/reassigned to other business areas.

28. Consequently, some of the Divisions/Units listed as having responsibilities for managing assets, such as vehicles of the official car fleet, no longer exist or have different responsibilities to those outlined in the Manual. Additionally, some provisions on fleet management have been revised in other related documents such as the WIPO Annual Financial Report. This has resulted in inconsistencies in the provisions for managing assets in the relevant documents as briefly highlighted below.

(a) The Manual states that the Director, Conference and General Services Division is responsible for the official car fleet, except the technical vehicles, while the Director, PID, is responsible for all other types of property including technical vehicles. Following internal reorganization in March 2020, the responsibility for conference activities including managing the official car fleet was transferred to the newly established DEAAD, headed by a Director. These changes in responsibilities will need to be reflected in the revised Manual;

(b) Furthermore, the Manual has some gaps and contradictory information on significant aspects of managing assets e.g., the useful economic life and criteria for capitalization of equipment. Specifically, the WIPO Annual Financial Report and Financial Statements (2020) indicates that the estimated useful life of a motor vehicle is 15 years while the Manual states that it is five years;

(c) Further, the Manual states that the minimum established cost or value threshold for capitalization of equipment is at least 5,000 Swiss francs per unit while the Annual Financial Report (2020) indicates that the Organization increased the capitalization

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<sup>6</sup> Office Instruction No. 9/2017 Rev3, which was published in April 2021.

threshold for equipment from 5,000 Swiss francs to 10,000 Swiss francs, in January 2020; and

(d) The Manual also has provisions on managing ICT equipment. This includes the receipt, custody and disposal of the equipment. However, these provisions are not adequate and comprehensive to cater for equipment that is subject to rapidly evolving risks. Therefore, it is important that the Manual is up-to-date and adequately addresses the contemporary challenges of managing ICT equipment.

29. Policies and procedures for managing property are living documents that should be regularly updated and adapted to the relevant changes in the Organization. Outdated policies may result in inconsistent practices, information asymmetry and misunderstanding of roles and responsibilities relating to managing the property of the Organization.

#### *Updating Job Descriptions for Staff Members*

30. The Staff Regulations and Rules provide that each post should have an accurate and up-to-date Job Description (JD). Further, according to the Organization's Human Resources Management practices, JDs need to be updated at regular intervals to, among others, accurately reflect the roles, responsibilities and accountabilities of each staff member. It is the responsibility of supervisors to ensure that the staff members under their supervision have up-to-date JDs.

31. A review of JDs for staff members, specifically in PID and DEAAD, who currently have roles and responsibilities for managing assets, supplies and materials revealed the following:

(a) The JD for one staff member responsible for managing property was last updated in 2014. Further, the JD outlines human resources management responsibilities and not those related to the current role of managing property which includes updating the Asset Management Module in AIMS;

(b) One staff member's JD was last updated in 2010. In the last 11 years, the staff member's current duties have evolved to the extent that there is a mismatch or misalignment between the role they perform and those described in JD; and

(c) In one case, it was not possible to determine whether a staff member's JD was updated and aligned to their current role. The roles described in the JD were related to project management and not property management which the staff member has been performing for a considerable number of years. Further, the JD was not dated or signed off by both the staff member and supervisor.

32. In view of the aforementioned examples, there is a need for the supervisors in the relevant business areas i.e., PID and DEAAD, to work in coordination with the Human Resources Management Department (HRMD) and ensure that the JDs of their respective subordinates are up to date and aligned with their roles and responsibilities. This will help ensure that staff members clearly understand their roles and accountabilities in managing assets, supplies and materials in the Organization.

#### *Provision of Various Equipment to Individual Contractor Services*

33. WIPO's General Conditions of Contract for the Provision of Individual Contractor Services (ICS) state that, except as expressly provided in the Contract, the Contractor shall be responsible at their sole cost for providing all the necessary personnel, facilities, equipment, material, and supplies and for making all arrangements necessary for the performance of the services under the Contract.

34. IOD's review of workflows and related processes for managing equipment, materials and supplies shows that it is a common practice for the Organization to allocate and assign ICT equipment to ICS for the performance of their services. For example, from January to October 2021, 63 laptops, 35 desktops/workstations, and 137 monitors, among others, were allocated and assigned to ICS.

35. The example above demonstrates the common practice of providing ICS with ICT equipment. However, this practice needs to be reconciled with the stipulated requirement that ICS should provide their own equipment necessary for the performance of their work as outlined in the General Conditions of Contract for the Provision of ICS.

36. It is important to note that in accordance with the relevant ICT policies and standards, only WIPO's approved and verified end-points (e.g., laptops, desktops, mobile phones, and tablets) are allowed to connect to the corporate network. In addition, the policies exclude provisions which would allow personnel to bring and use their own devices (i.e., a Bring Your Own Device scenario).

37. Going forward, there is a need to align the current practices and the General Conditions of Contract for the Provision of ICS. This point will also be reflected in the ongoing Audit and Integrity Review of ICS and Temporary Employment Agencies.

(ii) Review of Motor Vehicle Fleet Management

38. As at September 2021, WIPO had a fleet of 13 official motor vehicles. There are 12 vehicles at the Headquarters in Geneva, Switzerland and one vehicle at the WIPO Office in China. The total acquisition cost (historical cost) of the motor vehicles was 475,677 Swiss francs, while the net carrying amount was 56,561 Swiss francs.

39. In more detail, five vehicles are fossil fuel powered (four with PID, and one with the WIPO Office in China), four vehicles are electric powered (one with DEAAD and three with PID), and four are hybrid powered vehicles under the responsibility of DEAAD. In addition, seven of the 13 vehicles can be categorized as technical and therefore managed by PID, while the remaining six vehicles are classified as non-technical (five under DEAAD and one under the WIPO Office in China).

40. While acknowledging that the current fleet of motor vehicles are resourceful in ensuring that administrative and logistical works are conducted in an efficient and effective manner, IOD notes that there are areas for improvement in the managing the life cycle of motor vehicles as explained below.

*Replacement Strategy and Aging Fleet of Motor Vehicles*

41. **Replacement Strategy:** The current policies and procedures do not have explicit provisions that govern how decisions will be made about the circumstances and timing for optimal replacement of motor vehicles including the need to continually modernize the fleet, and the use of eco-friendly or less polluting alternatives models (hybrid and/or electric vehicles) that are fit-for-purpose.

42. While the policies and procedures have some provisions which address, to some extent, the assignment of responsibilities and duties to relevant stakeholders and other related administrative procedures, there is a need to update and align them with recent changes in the Organization e.g., the establishment of the DEAAD and discontinuation of the Conference Section in the Conference and General Services Division.

43. Therefore, DEAAD and PID should in coordination with other relevant stakeholders ensure that the fleet life cycle planning is an informed process based on an analysis of existing

needs, conditions and a forecast of future requirements for acquisition, maintenance/repair and subsequent disposal.

44. **Aging Fleet of Motor vehicles:** A review of financial statements and physical verification shows that the Organization has an aging fleet of official motor vehicles. Most of the vehicles are fully depreciated i.e., they have experienced the full estimated useful economic life, which was initially five years, and was subsequently revised to 15 years<sup>7</sup> in 2019. As at September 2021, the net carrying amount of motor vehicles was 56,561 Swiss francs.

As of September, 2021	
Description	Swiss francs
Gross Carrying Amount	475,677
Accumulated Depreciation	(419,116)
Net Carrying Amount	<b>56,561</b>

45. A review of data from AIMS Finance shows that 67 per cent of the motor vehicles (eight out of 12) are fully depreciated i.e., their net carrying amount is zero Swiss francs. These vehicles are still in use and have been in service for varying periods ranging from seven to 22 years.

No. of Vehicles	Years in Service
Three	15 to 22 years
Three	10 to 12 years
Two	7 to 8 years

46. Specifically, out of the eight fully depreciated motor vehicles, six are technical vehicles under PID. These include a motorized tractor, snow plow, lifts and elevated platforms, some of which are used in the basement areas and/or within WIPO premises.

47. Further, four motor vehicles (33 per cent of the fleet) make up the net carrying amount of 56,561 Swiss francs. The vehicle's individual net carrying amounts range from 1,188 Swiss francs to 22,000 Swiss francs. These vehicles have been in service for periods ranging from two to seven years as at September 2021.

48. IOD notes that assets such as motor vehicles are among others, amenable to time-based maintenance, subject to wear-and-tear, and susceptible to damage and/or impairment. Therefore, the Organization should proactively strive to maintain a modern and fit-for-purpose fleet and adopt a forward-looking and preventive replacement strategy that is explicitly outlined in the relevant policies and procedures.

#### *Control and Traceability of the Official Motor Vehicle Fleet*

49. As per the current DEAAD procedure, a logbook (carnet de bord) is kept on board of each vehicle as a tool to record the daily use of the vehicle. Specifically, at the end of any mission, the driver concerned would update the logbook by indicating the date, destination, mileage at departure and on return, and identity using their initials and signature.

50. IOD found that the information in the vehicle logbooks was often incomplete, unreadable, unclear, or inconsistent. There were many instances where: important information was missing (e.g., destination, driver's identity, and distance traveled), handwritten mentions were unreadable, the indicated destination was vague, odometer numbers showed unexplained gaps, and/or the distance traveled was inconsistent with the destination indicated. Overall, and as a

<sup>7</sup> In 2018, the Task Force on Accounting Standards (a jointly financed initiative by UN System organizations) considered useful lives of motor vehicles and a range of five to 15 years was proposed. Subsequently, WIPO revised the useful economic lives of vehicles from five to the maximum level of the proposed range (i.e., 15 years).

result, the use of the Organization's service vehicles could not be properly accounted for during the period under review.

51. In April 2021, DEAAD took measures to address the aforementioned control weaknesses by installing a Global Positioning System-based fleet tracking application in five motor vehicles, which includes one vehicle under an operating lease. The application allows the Organization to track the vehicles in real-time, including viewing and reviewing relevant data about each vehicle and its movements.

52. While the aforementioned measures have strengthened accountability and utilization controls over the four vehicles, the DEAAD needs to assess, using a cost-benefit analysis, whether it would be appropriate to install the system on the remaining one vehicle of the WIPO official car fleet.

(iii) Compensating Controls over ICT Equipment – Mobile Phones

53. According to the WIPO Mobile Devices Security Standard, an inventory of all WIPO issued mobile devices must be maintained and regularly updated. Further, the inventory should be reviewed periodically (at least once a year) to confirm its accuracy and to proactively identify any discrepancies.

54. From a security of information standpoint, the Mobile Device Security Standards clearly describe the measures taken through the Mobile Device Management product, including encryption of WIPO information and its segregation from the rest of the information on the device. Furthermore, data from mobile devices can be erased remotely. Nevertheless, the increased dependence on these devices, their contribution to enhanced productivity, and the recent paradigm shift towards teleworking call for some level of prudence in monitoring and inventorying mobile devices

55. Based on data compiled by ICTD, from January to September 2021, 462 mobile phones were issued to staff members, while two were reported as missing. IOD noted that in 2020 and 2021, an inventory of mobile phones was not carried out as outlined in the policies and procedures. Therefore, IOD could not confirm with reasonable assurance the accuracy, existence, and completeness of the reported figures.

56. Going forward, the Organization may benefit from ICTD working collaboratively with other stakeholders to design and develop cost effective and efficient compensating controls that will help ensure and confirm, among others, the existence, accuracy, and completeness of the inventory of mobile phones.

(iv) Gifts and Items held for Presentation to Third Parties

57. Occasionally, WIPO receives donations in the form of works of art and other items from third parties including Member States. In addition, the Organization may, through the Director General, present gifts to third parties such as high ranking officials from other Organizations and/or Member States.

58. While works of art and other donations received by the Organization are managed by the PID in accordance with the applicable OI and the Property Management Manual, the DEAAD maintains an inventory of items/gifts that the Director General can present to third parties. However, there is no written policy or guideline that governs the gifts and/or items that can be offered by the Organization to third parties.

59. As at September 2021, the DEAAD held an inventory of assorted gifts (e.g., pens, portfolio covers) amounting to 22,175 Swiss francs.

## Recommendations

1. The Premises Infrastructure Division should, in coordination with other relevant internal stakeholders, update the Property Management Manual and related procedures to reflect the relevant changes in the Organization.  
(Priority: Medium)
2. The Diplomatic Engagement and Assemblies Affairs Division should, in coordination with relevant internal stakeholders, review and revise the job descriptions for the relevant staff members whose roles, responsibilities and accountabilities have evolved to include managing motor vehicles of the official car fleet.  
(Priority: Medium)
3. The Diplomatic Engagement and Assemblies Affairs Division should, in coordination with relevant internal stakeholders, propose to the Property Survey Board, provisions for a forward-looking and preventive replacement strategy for motor vehicles of the official car fleet.  
(Priority: Medium)
4. The Premises Infrastructure Division should, in coordination with other relevant internal stakeholders, establish a strategy for a more fit-for-purpose approach for managing the lifecycle of technical motor vehicles.  
(Priority: Medium)
5. The Information and Communication Technology Department should design and develop compensating controls over ICT equipment such as mobile phones, to among others, ensure existence, accuracy and completeness of the inventory of mobile phones.  
(Priority: Medium)

## (B) COMPLIANCE

### (i) Unauthorized Use of WIPO Official Vehicle

60. According to the Permanent Mission of Switzerland to the United Nations Office and other International Organizations in Geneva, only persons who enjoy diplomatic status are permitted to drive motor vehicles with diplomatic “CD” license plates. For International Organizations like WIPO, such persons include members of the senior management/high-ranking officials (holders of a B or C legitimization card) and professional chauffeurs.

61. Further, WIPO’s motor vehicle insurance cover is restricted to persons who hold a legitimization card (“B” or “C”). Non-staff members, such as ICS and/or agency workers, are not allowed to drive official vehicles with “CD” diplomatic plates.

62. In the past, some personnel including external service providers/consultants in some operational areas (e.g., messengers under Protocol and Event Management Division (PEMD) (now the DEAAD), and IT Consultants in ICTD) could routinely drive official vehicles with CD plates to facilitate the performance of their duties. These actions were non-complaint with the regulations and rules governing the use of official motor vehicles.

63. Notably, on October 20, 2020, a non-staff member, working under the supervision of ICTD was involved in an accident while driving an official motor vehicle in the CAM building yard. The accident resulted in damage to the rear door and bumper of the Mercedes-Benz Vito.



64. The Organization's motor vehicle insurance policy is restricted to persons who hold a legitimation card ("B" or "C"). Therefore, an insurance claim relating to the motor vehicle accident occasioned by non-staff members would not be honored by the insurance firm.

65. IOD notes that allowing unauthorized persons to drive official vehicles with diplomatic plates was non-compliant with the regulations and rules governing the use of such vehicles. In addition, it exposed the Organization to potential liability for damages to the vehicle and/or other properties and reputational risk. Further, apart from a chain of back-and-forth emails mainly involving staff members in PEMD, ICTD, and PTD, there was no comprehensive report or Declaration of Loss form prepared and submitted to relevant internal stakeholders as outlined in the Manual.

66. In November 2020, the PEMD obtained a quotation for repair works of the vehicle from one of the garages in Geneva. The garage issued a quotation for 8,052 Swiss francs for the repair works, an amount which neither PEMD nor ICTD committed themselves to providing the budget. In December 2020, PEMD submitted a proposal to the PSB to dispose of (by destruction/recycling) the accident damaged vehicle along with two other motor vehicles which were rendered unserviceable. Subsequently, in March/April 2021, the vehicle was sold in a public auction for 3,500 Swiss francs.

67. Going forward, it is imperative that relevant and responsible staff members who supervise non-staff members at Headquarters and/or the External Offices ensure sound stewardship of Organizational resources including the reasonable and accountable use of official motor vehicles, and adherence to the regulations and rules that govern such assets.

(ii) Posting of Motor Vehicles and Related Expenses

*Observations made in this part of the report were redacted/withheld due to the sensitive nature of the issue/parties involved.*

68. **Erroneous posting of Motor Vehicle Expenses:** IOD noted an erroneous posting of repair costs for a motor vehicle in AIMS, which led to an overstatement of the expense account for maintenance of official vehicles by 26,431 Swiss francs at December 31, 2020. Subsequent, this posting was corrected in July 2021, and the right amount of 312,44 Swiss francs was recorded. The error stems from the association of the wrong currency to the amount posted.

69. **Erroneous Status of Motor Vehicle:** A review of data extracted from the AIMS Finance showed that one motor vehicle, a Toyota Forklift, had a status of "Disposed" assigned to it. Further, there were no disposal details indicated in the system regarding the vehicle. However, a review of relevant documents and records, including discussions with relevant staff members, revealed that the motor vehicle was still in use in the Organization. The vehicle has been in service since May 2000 and has no acquisition value assigned to it.

70. PID and Finance Division attributed the erroneous status assigned to the vehicle due to, possibly, the data transfer anomalies that were encountered, from as far back as 2010, when the recording of fixed assets was introduced in the AM module of AIMS Finance and the

Organization was migrating from one of the legacy systems. Therefore, the Finance Division should ensure that the motor vehicle is recorded in the AM module with the correct status.

(iii) Handover of Property/Equipment by Non-Staff Personnel

71. According to the Property Management Manual, where a property has been used by a non-staff employee (intern or fellow), or a non-staff personnel (ICS holder, employee of an external company), the respective Property Management Focal Point<sup>8</sup> (PMFP) should ensure that such property is returned in good condition at the end of the contract of the non-staff employee or non-staff personnel.

72. Following the end of the contract in July 2020, an ICS working in AFMS did not hand over a laptop that was assigned to them. The ICS worked in the Sector for two years, from July 2018 to July 2020. In October 2021, IOD instituted an investigation into the matter, which resulted in the former ICS returning the laptop to the Organization in January 2022, i.e., one year and six months following the end of their contract.

73. Currently, there are no procedures in place that would ensure that non-staff employees and non-staff personnel timely handover ICT equipment to ICTD through their respective PMFP. Further, the absence of a clear work-flow has resulted in multiple practices of handing over equipment directly to either the PMFP or ICTD thus making it a challenge to confirm the completeness of the equipment returned, and those held by non-staff personnel/employees.

74. Finally, the respective PMFP should be reminded that it is their primary responsibility to ensure that non-staff personnel/employees in their respective business areas return the equipment assigned to them in good condition and in a timely manner. Any incidents relating to the potential loss, theft, or damage to ICT equipment should be promptly reported using the relevant forms that are available on the Service Desk Portal, on the Intranet

75. While acknowledging that hiring managers are ultimately responsible for managing their contracted non-staff personnel, it would be pertinent that all internal stakeholders, which include hiring managers, respective PMFPs, ICTD, and PTD work together to safeguard the Organization's equipment that are used by non-staff personnel/employees in their respective business areas. There should be a seamless flow of information between and among the relevant stakeholders to ensure that each one of them is aware of the status of the non-staff personnel/employees, and any equipment they need to promptly handover at the end of their contract.

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<sup>8</sup> A Property Management Focal Point refers to a staff member who is nominated by the Program Manager for each program unit and entrusted, for that program unit, with the care of the Organization's property which is not already entrusted to the care of an individual custodian. A custodian refers a staff member who, in accordance with the applicable Staff Rule is responsible for the proper care and use of property assigned to his or her care and use in the exercise of official duties.



## Recommendations

6. The Information and Communication Technology Department should work with Security and Information Assurance Division, Human Resources Management Department, and other relevant internal stakeholders to implement procedures that ensure that ICT equipment assigned to non-staff members/personnel is promptly returned and their account terminated at the point of separating from the Organization.  
(Priority: High)
7. The Finance Division should, in coordination with the Premises Infrastructure Division and other relevant internal stakeholders ensure that the technical motor vehicle (Toyota Fork lift) is correctly recorded in the Asset Management Module of AIMS Finance.  
(Priority: Medium)

### (C) TOOLS AND SYSTEMS

#### (i) Optimizing the IT Service Management Tool for IT Asset Management

76. ICTD uses an IT Service Management (ITSM) tool which has an IT Asset Management functionality. The tool can be configured to, among others, track and manage the life cycle of the Organization's hardware and software assets. A review of the ITSM tool showed that there are opportunities to optimize its use.

77. Currently, the tool provides the current status (snap shot) of the ICT equipment issued to WIPO personnel, i.e., the tool provides only the Configuration Item's<sup>9</sup> creation date, and to whom the device has been assigned in the Organization.

78. However, it would be helpful if the system was reconfigured to capture historical data and generate reports covering the full spectrum of the lifecycle of relevant ICT equipment that are susceptible to loss and/or theft e.g., laptops and mobile phones.

79. It is worth noting that these portable electronic devices (e.g., laptops and mobile phones) are subject to the Organization's information security standards and applicable controls which are designed to protect the data from unauthorized access. These measures include, but are not limited to password enforcement, disk encryption, and remote erasure of data on the devices.

80. In line with good practices in managing ICT equipment, and budgeting purposes, it is important that the current stock of selected ICT equipment in circulation is readily ascertainable, accurate, and comparable with historical records in order to identify useful trends and discrepancies.

81. Further, to ensure that the full life cycle of relevant ICT equipment is traceable, efficiently and effectively managed, and has an audit trail, it would be helpful if ICTD made appropriate changes to the ITSM tool. The tool should be enabled to provide comprehensive, timely, and accurate historical and current data, including reports on the selected mobile ICT equipment, e.g., mobile phones and laptops. Other relevant aspects that may be incorporated include important changes to the asset's status, and the different categories of staff and non-staff

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<sup>9</sup> Configuration Items are items that make up the Configuration Management Database (CMDB) in the ITSM tool. CIs must be managed to avoid disruptions to ICT services. They include items such as, computers, mobile phones, telephone equipment, servers, printers, network devices, software licenses and others.

personnel to whom the equipment is assigned. This would support informed decision-making, foster accountability, and improve information symmetry in the Organization.

(ii) Harnessing Data Analytics as a Control Procedure over Supplies and Materials

82. A review of the Statement of Financial Performance for the year ended December 31, 2020 and data from AIMS Finance, shows that the Organization spent 4.37 million Swiss francs and 1.34 million Swiss francs on supplies and materials, including furniture and equipment in 2020 and 2021 (January – September), respectively. The amount includes expenditure on, among others, office supplies, library, other supplies, gift and sales articles, inventory furniture, purchase of IT equipment and other hardware. Table 1 below shows the breakdown of supplies and materials, and furniture and equipment during the period under review.

**Table 1: Break down of Supplies and Materials, and Furniture and Equipment in 2020/2021 (in thousands of Swiss francs)**

Details	2021 (Jan – Sept)	2020
Supplies and Materials	1,188.06	3,893.07
Furniture and Equipment	151.19	473.68
<b>Total</b>	<b>1,339.25</b>	<b>4,366.75</b>

Source: Compiled from AIMS Finance data

83. During the period under review, specifically in 2020, a significant portion of the items that were procured as supplies and materials were principally necessitated by the COVID-19 pandemic. The items include but are not limited to, ICT equipment (laptops, mobile phones), protective materials (e.g., face masks, Plexiglas) and others. Further, there was a notable decrease in the expenditure on paper and office supplies in 2020 and 2021. This was mainly attributed to most WIPO personnel working from home.

84. It is also worth noting that in January 2020, the value threshold for capitalizing an asset was revised from 5,000 Swiss francs per unit to 10,000 Swiss francs. The revision effectively means that some items that were previously capitalized and thus subject to the asset management related controls will effectively be expensed as supplies, materials or equipment.

85. IOD’s review of the control procedures surrounding supplies and materials including equipment (below the capitalization threshold) shows that there is currently no system of inventory to effectively and proactively monitor and report on the consumption patterns of these items by various business areas. In addition, some items under these categories are susceptible to risks such as loss, pilferage, under/over stocking and obsolescence. Consequently, appropriate internal control procedures should be designed and developed to manage these risks. Therefore, the Organization would benefit from implementing controls that are effective, commensurate with the identified risks and based on a cost-benefit analysis approach.

86. One such approach involves harnessing data analytics to monitor the trends and patterns in the purchase and usage of selected supplies and materials by various business areas in the Organization. Further, the use of data analytics as an alternative control would help in extracting important insights, generating useful summaries and creating potential actionable steps for respective business areas and interested stakeholders such as Office of the Controller and IOD.

87. Going forward, a data driven approach to internal control procedures represents a paradigm shift towards automated controls compared to the traditional lock-and-key physical controls for managing supplies and materials. In order for the control to be effective, the data analytics program in the area of supplies and materials would need to be coordinated by Office of the Controller as the focal point in the Organization, working collaboratively with other internal stakeholders. Further, the Office of the Controller has planned the use of data analytics to, among others, reinforce its second line of defense role. This project should include the use of data analytics in the area of supplies and materials.

(iii) Motor Vehicle Repair and Maintenance Costs in AIMS Finance

88. A review of AIMS Finance shows that the Organization spent 22,212 Swiss francs and 14,798.27 Swiss francs on maintenance repairs and repairs of motor vehicles in 2020 and 2021(January – September), respectively.

89. A detailed review of these costs shows that the manner in which these costs were input and posted in the system makes it a challenge to comprehensively and accurately ascertain the costs that relate to a respective vehicle. In more detail, the motor vehicle repair costs were not consistently and systematically coded/entered in the system in such a way that would allow for the costs to be readily linked to a specific vehicle using the respective vehicle's unique identifier e.g., the registration/plate number. While some entries included the plate number of the vehicle, others did not.

90. Going forward, it may be beneficial for the Organization to utilize a standardized and consistent pattern of data entry that allows for maintenance and repair costs to be easily and readily be associated to a specific motor vehicle in AIMS Finance. Further, this would, among others, allow responsible business areas and interested internal stakeholders to easily analyze the data, systematically identify trends in the respective motor vehicle's costs, and make informed decisions. Lastly, systematic entries of such expenses also allow interested stakeholders to deduce corroboratory evidence.

(iv) Annual Physical Inventory Count and Storage of Materials/Supplies

91. According to the FRR, officers responsible for managing the property of the Organization are required to perform periodic physical inventories of such property for the purposes of ensuring that the accounting records of fixed assets are accurate. Further, OI No. 9/2017 Rev3 - WIPO Policy on Property Management states that the Director of PID is responsible for overseeing the regular process of annual physical inventory and the issuance of the annual verification report.

92. In 2018, WIPO entered into a Long term agreement with an external service provider to conduct the annual physical inventory. Accordingly, in 2020 and 2021, the external provider conducted a physical inventory verification of tangible assets with a purchase value exceeding 5,000 Swiss francs, works of art and official gifts.

93. In November 2021, IOD observed selected visits by the external service provider conducting the 2021 physical verification exercise. The visits included WIPO premises, offices and areas that are used to store various materials, supplies, consumables, equipment and assets. IOD makes the following observations on the physical inventory counts conducted in 2020 and 2021:

- (a) **Procedures for the Physical Inventory and Reporting:** The relevant procedures for the physical inventory and reporting, referred to as Annex C in the Property Management Manual, are not described therein i.e., the annex has been under preparation since 2016 when the Manual was last revised.

(b) **Asset Capitalization and Inventory Count:** Although the physical inventory report states that tangible assets were being verified, IOD notes that in practice other items not classified as tangible assets according to the capitalization thresholds were inventoried.

(c) **Unserviceable/Obsolete Equipment and Furniture:** The physical verification exercises have highlighted the need for the Organization, through the PSB, to dispose of various unserviceable and/or obsolete ICT equipment and furniture. Over the years, the obsolete ICT equipment have accumulated, been grouped together on pallets or in large crates, and earmarked for disposal. About 70 pallets periodically appear in the annual physical verification exercise because they fall under the scope of OI No. 9/2017 Rev3. In addition, the quantity of unserviceable furniture has been increasing in the storage areas.

IOD observed that verifying these bar coded obsolete/unserviceable items during the annual inventory count, is a time-consuming and labor-intensive exercise. Moreover, these items are taking up storage space that could be used for storing items that have or will become obsolete and/or unserviceable in the coming years.

(d) **Inadequate Designated Storage Space:** Due to inadequate designated storage space, some unserviceable items were stored in open areas that were either partly marked as car park or temporary storage area for newly acquired large items (e.g., furniture). Subsequently, some spaces that were not initially designed as storage spaces have evolved and been utilized in a manner that aligns itself to the needs of the Organization

(e) **Bar Codes on Doors:** The inventory report noted that some areas needed new bar codes installed as the old ones have either fallen off or the areas have been entirely rebuilt and the location codes for the old doors have not been updated. For example, the renovation of the offices of the Technical Coordination Section in PID and the landings in GB I/GB II following the replacement of the elevators, among others. In February 2022, PID informed IOD that this issue has been resolved and reported to the PSB.

(f) **ICT Equipment and Works of Art Not Found during the Physical Inventory Count:** At the end of the 2021 physical verification exercise, there were nine missing items i.e., five IT equipment items and four works of art. There was no available information as to their whereabouts.

Further, for the five IT equipment items reported missing, PID indicated that they were in contact with the respective custodian units, i.e., ICTD (four items) and SIAD (one item), so as to resolve the reported discrepancies. Table 2 below provides further details on the in-service IT equipment that was not found during the 2021 verification exercise.

**Table 2: ICT Equipment Not Found During the 2021 Physical Verification Exercise**

S/n	Description	Date of Acquisition	Acquisition Cost (Swiss francs)	Comment
1.	IT Server	June 2010	8,534	Item not found dating back to the 2019 physical verification exercise.
2.	IT Server	June 2010	8,496	Not found during the 2021 physical verification exercise.
3.	IT Server	June 2010	7,316	Item not found dating back to the 2019 physical verification exercise.
4.	IT Server	November 2010	7,140	Item not found during the 2021 physical verification exercise.
5.	IT Network Equipment	March 2010	5,233	Item not found during the 2021 physical verification exercise.
	<b>Total</b>		<b>36,719</b>	

Source: 2021 Physical Verification Report and AIMS

For the four works of art reported missing, a review of historical documents, dating back to 2011, shows that the same items have been reported as missing in the preceding years going back to 2014, having already been identified as missing back in 2011.

In line with its mandate, it is expected that the PSB will make a decision on the discrepancies noted the 2021 physical inventory counts, particularly on the items that have been reported missing for consecutive years.

94. Finally, in June 2021, IOD completed an investigation on the alleged theft of small consumables. The incident happened during the COVID-19 crisis when there was an increasing demand for these particular small consumables, and the prevailing conditions contributed to enhancing the opportunity. In addition, inefficient use of space, which resulted in items being stored in less secure areas, thereby increasing the risk of unauthorized access also contributed to the opportunity of theft. However, this incident was identified and IOD was asked to investigate. As a result, the stolen items were subsequently recovered, and the contractual relationship with the contractor appropriately addressed.

#### **Recommendations**

8. The Information and Communication Technology Department should make appropriate changes to the IT Service Management tool to enable it provide comprehensive, timely and accurate current and historical data and reports on the full lifecycle of selected ICT equipment such as laptops and mobile phones.

(Priority: Medium)

9. The Premises Infrastructure Division should, in coordination with the other relevant internal stakeholders, develop a plan with a set timeline for disposal of unserviceable and obsolete inventories.

(Priority: High)

#### **ACKNOWLEDGMENT**

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

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Reviewed by: Alain Garba, Head, Internal Audit, IOD.

Approved by: Rajesh Singh, Director, IOD.

**TABLE OF RECOMMENDATIONS**

No.	Recommendation(s)	Priority	Person(s) Responsible	Other Stakeholder(s)	Management Action Plan(s)	Deadline
1.	The Premises Infrastructure Division should, in coordination with other relevant internal stakeholders, update the Property Management Manual and related procedures to reflect the relevant changes in the Organization.		Director of PID	Controller, Finance Division, PID, ICTD, DEAAD, SIAD, PSB	PID will prepare a draft revised version of the Manual, annexes and forms, for circulation amongst other stakeholders, with a view to presenting a final version to the PSB for final clearance before issuance.	December 31, 2022.
2.	The Diplomatic Engagement and Assemblies Affairs Division should, in coordination with relevant internal stakeholders, review and revise the job descriptions for the relevant staff members whose roles, responsibilities and accountabilities have evolved to include managing motor vehicles of the official car fleet.		Director, DEAAD	HRMD	Already being processed, HRMD is currently reviewing the proposed updated job descriptions.	April 30, 2022.
3.	The Diplomatic Engagement and Assemblies Affairs Division should, in coordination with relevant internal stakeholders, propose to the Property Survey Board, provisions for a forward-looking and preventive replacement strategy for motor vehicles of the official car fleet.		Director, DEAAD	PIB, PPBD, Finance, PSB	DEAAD will review the current policies on fleet management and make proposals to the PSB to amend them to be more forward looking and include a proactive strategy to replace the official car fleet.	December 30, 2022.
4.	The Premises Infrastructure Division should, in coordination with other relevant internal stakeholders, establish a strategy for a more fit-for-purpose approach for managing the lifecycle of technical motor vehicles.		Director of PID	PID, PPBD, Finance, PSB	PID will draft a strategy, taking into account the views of other stakeholders and will issue the final version of the strategy.	June 30, 2022.
5.	The Information and Communication Technology Department should design and develop compensating controls over ICT		Director of IT Technical Division	SIAD	Implementation of a new Mobile Device Management (MDM) as	December 31, 2022.

No.	Recommendation(s)	Priority	Person(s) Responsible	Other Stakeholder(s)	Management Action Plan(s)	Deadline
	equipment such as mobile phones, to among others, ensure existence, accuracy and completeness of the inventory of mobile phones.				well as Apple Business Manager is in progress.	
6.	The Information and Communication Technology Department should work with Security and Information Assurance Division, Human Resources Management Department, and other relevant internal stakeholders to implement procedures that ensure that ICT equipment assigned to non-staff members/personnel is promptly returned and their account terminated at the point of separating from the Organization.		Director of IT Technical Division	SIAD, HRMD	ICTD will set up a process to mandate responsible managers to inform the service desk when the contract of a non-staff member ends and will proceed to recover the equipment that was assigned to them.	December 31, 2023.
7.	The Finance Division should, in coordination with the Premises Infrastructure Division and other relevant internal stakeholders, ensure that the technical motor vehicle (Toyota Fork lift) is correctly recorded in the Asset Management Module of AIMS Finance.		Director of Finance Division	PID	The Finance Division will review and correct the records for this vehicle in the Asset Management Module.	June 30, 2022.
8.	The Information and Communication Technology Department should make appropriate changes to the IT Service Management tool to enable it provide comprehensive, timely and accurate current and historical data and reports on the full lifecycle of selected ICT equipment such as laptops and mobile phones.		Director of IT Technical Division	Enterprise Service Management Project Executive	The Enterprise Service Management Capital Master Plan project, scheduled for the 2022-23 biennium, will review current processes and tools for asset management.	December 31, 2023.

No.	Recommendation(s)	Priority	Person(s) Responsible	Other Stakeholder(s)	Management Action Plan(s)	Deadline
9.	The Premises Infrastructure Division should, in coordination with the other relevant internal stakeholders, develop a plan with a set timeline for disposal of unserviceable and obsolete inventories.		Director of PID	PID, ICTD, SIAD, PSB	PID will draft a plan with a timeline, will consult other stakeholders and propose a final version to the PSB for final clearance before issuance.	December 31, 2022.



## ANNEX: RISK RATING AND PRIORITY OF AUDIT RECOMMENDATIONS

The risk ratings in the tables below are driven by the combination of likelihood of occurrence of events and the financial impact or harm to the Organization’s reputation, which may result if the risks materialize. The ratings for audit recommendations are based on the control environment assessed during the audit.

**Table I.1: Effectiveness of Risks/ Controls and Residual Risk Rating**

		Compound Risk Rating (Likelihood x Impact)		
		Low	Medium	High
Control Effectiveness	Low	Low	Medium	High
	Medium	Low	Medium	High
	High	Low	Low	Medium

**Table I.2: Priority of Audit Recommendations**

Priority of Audit Recommendations	Residual Risk Rating
Requires Urgent Management Attention	High
Requires Management Attention	Medium
Routine in Nature	Low

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