



Internal Oversight Division

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Audit Report

Audit of Madrid Registry

May 11, 2017

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LIST OF ACRONYMS

HR	Human Resources
HRMD	Human Resources Management Department
IOD	Internal Oversight Division
IS	Information Systems
ISO	International Standards Organization
IT	Information Technology
MAPS	Madrid Agreement and Protocol System
MIRIS	Madrid International Registrations Information System
OI	Office Instruction
SRR	Staff Regulations and Rules
UN	United Nations
WIPO	World Intellectual Property Organization

EXECUTIVE SUMMARY

1. The Internal Oversight Division (IOD) conducted an audit of the Madrid Registry in line with its 2017 work plan.
2. The Madrid Registry has seen some significant changes in its operations since early 2016. Most significantly, a new Information Technology (IT) platform known as Madrid International Registrations Information System (MIRIS) was rolled-out in March 2016 after a multi-year implementation effort. This period also saw changes in the leadership of some key positions within the Madrid Registry as well as changes in the organization structure.
3. After the roll-out of the MIRIS system in March 2016, several issues were faced in the new system which also contributed to the build-up of a backlog in the stock of transactions to be processed by the Operations Division. A formal project closure report is yet to be finalized following the roll-out of the new system. It is important that the lessons learned from the roll-out of the MIRIS system are documented so that any future IT initiatives take these into account. Furthermore, the project closure report should be formalized at the earliest taking into account that institutional memory concerning the project may fade as time passes. The MIRIS project missed a potential opportunity to enable the partial automation of some processes that are currently performed outside the system, such as quality control and certification. Any future IT efforts should consider that it takes significantly more time and effort to “bolt-on” processes to IT systems than building them in at the design stage.
4. The Madrid Operations Division relies to a significant extent on personnel contracted under flexible contracts (such as fellows and agency workers). In an area where the training period is rather long for a new person to become fully conversant with the work tasks required in transaction processing combined with the relatively high turnover of such personnel, there is a need to rethink Human Resources (HR) planning in this area so that an appropriate balance exists between fixed and flexible staff contracts with the adequate combination of skills and competences.
5. The client records unit and customer service section within the Operations Division are heavily reliant on the staff members heading these units to an extent that their prolonged absence could lead to deterioration in quality of services delivered. It is essential that these and other “single points of failure” be identified and long term plans are devised to mitigate the risks.
6. Further improvements within the Madrid Registry can be made by: (i) completing the recruitment exercise for the position of the Director, Madrid Registry; (ii) ensuring that staff who play a role in sample testing for quality control purposes are adequately trained in International Standards Organization (ISO) principles; and (iii) the documentation of business process flows, the examination manual and other guiding documents are fully aligned.

1. INTRODUCTION

(A) BACKGROUND

7. The Madrid System for the International Registration of Marks is governed by two treaties: the Madrid Agreement Concerning the International Registration of Marks, which dates from 1891, and the Protocol Relating to the Madrid Agreement, which was adopted in 1989, entered into force on December 1, 1995, and came into operation on April 1, 1996. Common Regulations under the Agreement and Protocol also came into force on that date. The Madrid System is administered by the International Bureau of the World Intellectual Property Organization (WIPO), which maintains the International Register and publishes the WIPO Gazette of International Marks. The unit within WIPO which primarily administers the Madrid System is called the Madrid Registry.

8. The Madrid Union is made up of Contracting Parties to the Madrid Agreement and the Madrid Protocol. The Madrid Union currently has 98 members, covering 114 countries. These members represent more than 80 per cent of world trade, with potential for expansion as membership grows.

9. The Madrid Registry has been recording an increasing number of filings of international applications (7.2 per cent increase in 2016 and 0.9 per cent increase in 2015).

10. After a multi-year effort, the Madrid Registry went live (in March 2016) on a new IT platform known as MIRIS. MIRIS replaced a mainframe based system (the Madrid Agreement and Protocol System (MAPS)) that had been in use for more than 20 years as the main IT processing system used by the Madrid Registry.

(B) OBJECTIVES

11. The objectives of this audit were:

- (a) Review key processes/transactions performed by the Madrid Registry and assess the level of quality control and compliance. This would include a review of staffing, standard operating procedures as well as information systems;
- (b) Assess the adequacy and effectiveness of quality control processes; and
- (c) Review the organizational structure of the Madrid Registry to assess its appropriateness for good delivery of services.

(C) SCOPE AND METHODOLOGY

12. The audit covered the adequacy and effectiveness of governance structures, process documentation, operating procedures and other operational areas. The audit period covered the financial years 2015 and 2016.

13. The audit fieldwork included:
 - (a) Interviews with key personnel in the Madrid Registry;
 - (b) Performing walkthroughs with the assistance of relevant personnel to understand selected processes;
 - (c) Review of the organization structure of the Madrid Registry;
 - (d) Review of quality control processes and sampling; and
 - (e) Review of documentation to understand the post-implementation issues with the MIRIS system.
14. The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. OBSERVATIONS AND RECOMMENDATIONS

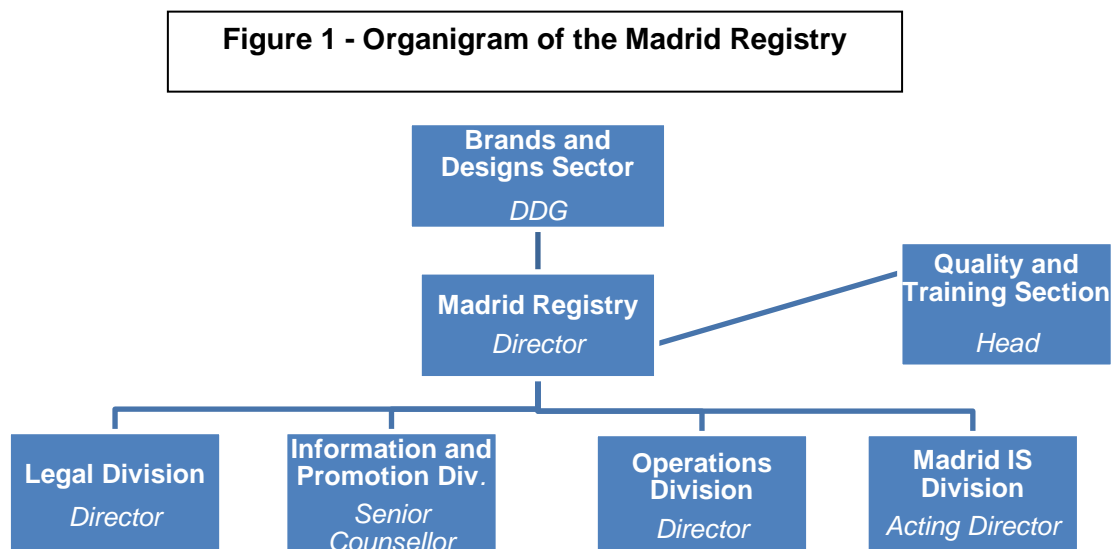
(A) ACHIEVEMENTS

15. After a multi-year effort, the new IT platform for the Madrid Registry known as MIRIS was rolled-out in March 2016. Following the roll out of MIRIS, the Madrid Registry has launched several initiatives to improve the efficiency of transaction processing including:
 - (a) Mapping of the core Madrid business processes through flowcharts;
 - (b) Updating of the standard operating procedures;
 - (c) Improving process automation through enhancements;
 - (d) Establishment of the Madrid Initiatives Board for managing all initiatives undertaken within the Madrid Registry; and
 - (e) Initiating the update of the examination manual.

(B) GOVERNANCE AND ORGANIZATIONAL FRAMEWORK OF MADRID REGISTRY

(i) Organization Structure

16. The organization structure of the Madrid Registry has been undergoing a number of changes since July 2016. The present organization structure of the Madrid Registry as at the time of the writing of this report is as provided in Figure 1 below¹.



17. The Madrid Information Systems (IS) Division (formerly Registries Support Division) is a very important part of the Madrid Registry given the high dependency on IT enabled processes within Madrid Registry operations. The Madrid IS Division has a critical role to play in ensuring the smooth functioning of the Madrid IT platforms. This is rather more relevant at this point in time due to the issues that have been encountered since the rollout of the MIRIS system in March 2016. It is therefore crucial that stable leadership is established for the effective functioning of the Madrid IS Division.

18. The post of Director, Registries Support Division (now Madrid IS Division) became vacant in August 2016 following the reassignment of the then Director to the Office of the Deputy Director General, Brands and Designs Sector. Since then, the Division has been headed by an acting Director.

19. The vacancy announcement for the post of Director, Registries Support Division (now Madrid IS Division) was made in June 2016 in anticipation of the impending retirement of the then incumbent. However, IOD understands that the recruitment process for this position has been put on hold due to the changes that were being effected within the structure of the Registry and awaiting the finalization of a Madrid Registry HR plan.

20. Furthermore, given the time elapsed since the publication of the vacancy announcement, management is considering cancellation of the announcement and re-publication of the vacancy so as to reflect the current operating structure and requirements.

¹ The Registries Support Division was renamed as the Madrid Information Systems Division and transferred to the Madrid Registry as per Office Instruction N 11/2017 dated April 13, 2017.

21. It is essential for the good governance of this division that prompt action is taken to ensure that the vacancy for this position is filled within the earliest possible timeframe.
22. The leadership of the Madrid Registry was changed in July 2016 whereby the Director, Law and Legislative Advice Division within the Brands and Designs Sector was appointed as the Director of the Madrid Registry. At the time of the transfer, the grade adopted was based on the post (D1) from which the incumbent was transferred.
23. A number of changes have been effected in the Madrid Registry since July 2016, significantly, the Madrid IS Division was placed within the Madrid Registry. The responsibilities of the Director, Madrid Registry have therefore increased in addition to dealing with the IT challenges that have been faced by the Registry since March 2016.
24. The duties and authority required for this position should be reflected in the grade of the post. IOD understands that management has initiated action for the post to be appropriately graded to reflect the duties and responsibilities required of the position.
25. Following the reclassification exercise, it is important that the position is filled at the earliest through the applicable recruitment process.

(ii) Strategies

26. A Madrid system strategy has been under preparation by the senior management of the Madrid Registry. The draft strategy seeks to lay out a four year plan with respect to the future of the Madrid system. IOD was provided the opportunity to comment on the draft strategy and has provided its comments.
27. The overall Madrid system strategy also further impacts strategies that are under preparation for IT (by the Madrid IS Division) and for Quality (by the Quality and Training section). These two strategies are also in draft stage and await the finalization of the overall Madrid strategy in order to ensure their alignment.
28. In order to ensure the timely issuance and relevance of the underlying sub-strategies and provide a sound basis for any such sub-strategies, it is essential that the overall Madrid system strategy be finalized and issued without further delay.

Recommendations

1. The Human Resources Management Department (HRMD) and Madrid Registry should expedite the recruitment process for a Director of the Madrid IS Division. (Priority: High)
2. The Brands and Designs Sector should work closely with the Human Resources Management Department to fast track the process for reclassification and recruitment of the Director, Madrid Registry at an appropriate grade. (Priority: Medium)

(C) QUALITY AND COMPLIANCE

(i) Quality framework

29. The quality framework of the Madrid Registry has been developed on the basis of the ISO standards. In so far as quality management is concerned, the ISO 9000 series standards have been used as the basis. The Quality and Training Section within the Madrid Registry is responsible for developing and implementing the quality management framework.

30. In addition to staff, within the Quality and Training section, who conduct tests of samples for verification of their compliance with the relevant processing guidelines, other staff, from within the Operations Division (not directly involved in processing), also conduct sample tests and report the results of their verification to the Quality and Training Section.
31. In order to ensure a proper understanding of their quality roles and responsibilities, Operations Division staff members who are involved in quality control tests and document processing unit should have an understanding of the quality principles laid down by the ISO standards.
32. It was noted that not all such staff members who are involved in a quality management role apart from their other functions have been trained in the principles of ISO quality management.
33. Staff who are involved in quality management roles may not have a proper appreciation of their role in the absence of formal training on the ISO principles on which the framework is based.

(ii) Manuals

34. The quality and training section also prepares a number of detailed manuals for use by processing team members as a guide to help in the processing of transactions. The most important of these is the examination manual which provides a detailed step-by-step guide on examination processes for the processing of transactions by examiners.
35. The examination manual is presently in the process of being updated to reflect the changes in the IT system as a result of the implementation of the MIRIS system.
36. Since the MIRIS system became operational in March 2016, there has also been an effort within the operations division to completely document the end-to-end business process flows through the use of flowcharts. These business process maps have been developed through the performance of walkthroughs and interviews with senior examiners.
37. Since the business process flows and the examination manual provide similar information with respect to the process flow (although more detailed in the examination manual), it is critical that they are aligned to show the process flow in the same manner. Hence, before the finalization of the revised examination manual and business process maps a comparison must be done to ensure that information on the process flow is consistent between these two sets of documents.
38. In the absence of proper alignment of the information in the examination manual, other guiding documentation and the business process maps, it could lead to users being provided inconsistent information *vis-à-vis* transaction processing.

Recommendations

3. The Madrid Registry should ensure that all staff involved in a quality role have been trained in the principles of quality management as per ISO standards. (Priority: Medium)
4. The Madrid Registry should ensure the consistency of transaction flow information between the business process maps and the examination manual. (Priority: Medium)

(D) MADRID IT MODERNIZATION PROGRAM

(i) Project Closure – IT Modernization Program

39. The final report on the IT Modernization Program was prepared by the International Bureau and submitted to the Madrid Union Assembly at its forty-ninth meeting held in 2015. At the time the final project closure report was prepared, the MIRIS system was undergoing business testing and documentation with an expected go-live date in March 2016.

40. The MIRIS system subsequently did go-live in March 2016. Based on extensive interviews conducted by IOD as well as the documented log of issues faced after go-live, it is apparent that the system implementation faced a number of issues on go-live which comprised both IT infrastructure and software problems.

41. Regardless of the outcome of any IT project it is essential that the project closure is properly documented and specifically the lessons learned are captured for future reference. As at the time of the writing of this audit report, more than one year after the go-live date of the MIRIS system, no final project closure report has been made which analyzes the outcome of the project and documents the lessons learned. However, IOD understands that a draft report was prepared by the former Director, Registries Support Division but this report has not been finalized and adopted. The Madrid IT modernization program involved a significant financial outlay (in excess of 13 million Swiss francs) and any project of this magnitude should require a formal project closure report.

42. With the passage of time and the transfer or exit of key personnel who were involved in the program, the task of accurately and completely recording the project closure becomes more challenging and it is therefore essential that this be completed within the earliest possible time frame.

43. It may also be mentioned that the Madrid Reform Board which served as the project board for the IT Modernization Project does not exist any longer. Some parts of the activities of the Madrid Reform Board are now overseen by the Madrid Initiatives Board. Management should decide as to the appropriate forum for submission of a project closure report.

(ii) Opportunities for Business Process Automation

44. One of the primary objectives of most IT system implementation projects is to enable the automation of processes or activities that previously required significant manual work. One of the means to achieve this is through a business process re-engineering exercise. The analysis that is performed as part of such an exercise would help identify potential processes and/or activities for automation.

45. The Madrid IT modernization program was aimed at performing a technical conversion of the legacy IT system (MAPS) to modern technology. While this conversion was a necessity given the lack of available skills in the marketplace to support the technology on which the legacy system was based, the program missed the opportunity to IT enable certain processes that are part of the Madrid Registry's activities.

46. Notably, the processes concerning quality control and certified extracts which involve a reasonable quantum of manual work were not scoped into the earlier phases of the program which would have enabled the partial automation of those processes. In most system implementations it would require significantly more resources to bolt-on processes that were not part of the original design of the system as compared to building in those processes from the initial specifications.

47. The quality control and certification processes continue to involve significant amount of manual work in addition to being more prone to error in reporting as a result of having to use tools such as Excel and Word.

Recommendations

5. The Madrid Registry should expeditiously prepare a formal project closure report for the Madrid IT modernization program with a view to prioritize the documentation of the lessons learned from the project so that these are taken into consideration in any future IT efforts. (Priority: High)
6. The Madrid Registry should prioritize the IT enabling of the quality control and certification processes so as to reduce the extent of manual work from the present levels. (Priority: Medium)

(E) HUMAN RESOURCES

(i) Processing Teams

56. The Madrid Registry has been recording an increasing number of filings of international applications (7.2 per cent increase in 2016 and 0.9 per cent increase in 2015). In order to properly meet its obligations in processing these applications, WIPO should have adequately trained personnel.

57. Training personnel in handling processing of transactions under the Madrid Registry is an investment for WIPO and requires the allocation of adequate resources. Once fully trained, it is to be expected that a reasonable period of service is rendered by such personnel.

58. Presently, the processing teams under the Madrid Registry which handle the bulk of the processing of international applications rely on a combination of WIPO staff and flexible resource arrangements (consisting of agency workers and fellows). Indicatively out of the pool of examiners consisting of 64 personnel working within the processing teams, 39 (61 per cent) consist of WIPO staff members while 25 (39 per cent) consist of personnel who are contracted under flexible work arrangements (such as fellowships and agency workers).

59. Thus a relatively high proportion of the work force which WIPO depends on to deliver high quality services to its customers may not be available at short notice. In the long term, this is not an ideal situation as the dependency on flexible resources is too high to ensure a sustainable level of high quality service delivery to customers. In case of high turnover among personnel working on such flexible arrangements, the cost of training additional resources becomes too high and leads to delays and backlog in processing while waiting for new resources to become available.

60. Further, due to a combination of factors and in particular due to the deployment of the new IT system (MIRIS), the overall stock of transactions to be processed (i.e. backlog) has remained consistently high above acceptable stock levels. This has, in part, sought to be addressed through the "Special Madrid Program"², in which competent WIPO Staff and fellows are allowed to participate in return for a specified rate. While this temporary and exceptional measure has been taken in view of the significant build-up in the stock of transactions to be processed, a longer term solution would require a more detailed analysis.

² Office Instruction - N° 4/2017 – Special Madrid Program

61. A detailed human resources plan which takes into account the anticipated growth in filings, anticipated changes in the rules, the need to reduce the dependence on flexible work contracts and to have the right combination of skills and competence is required in all areas of the Madrid Registry and in particular for the examiners within the Operations Division.

(i) Client Records Unit and Customer Service Unit

62. The Client Records Unit within the Madrid Registry serves an important role of providing certified or legalized extracts from the International Register. Various types of extracts are offered to customers through the Client Records Unit. The services provided by the Unit are fee-based.

63. Quite often the extracts provided by WIPO through the Client Records Unit are used in legal proceedings (including in courts of law). Therefore, the accuracy and completeness of the extract provided by WIPO is very critical.

64. The Client Records Unit currently operates within the Operations Division although the nature of work does involve some legal aspects. In addition, as the history of marks could date back to the inception of the Madrid treaty, in some cases the work in providing an extract requested by a customer may involve going through the archives to obtain the relevant information.

65. Presently, the Client Record Unit is staffed by one WIPO staff member (Head of Unit) and two agency workers. The work of the unit is heavily reliant on the Head of the Unit. A prolonged absence of the individual will likely affect the timeliness and accuracy of the service provided by WIPO.

66. The Customer Service Unit within the Operations Division of the Madrid Registry is responsible for servicing customer inquiries or queries. The unit represents the direct interface of WIPO with customers or potential customers of the Madrid Registry.

67. The quality of service provided by the Customer Service Unit is very critical as it affects the level of customer satisfaction with the services provided by WIPO.

68. There has been an increasing trend in the number of incoming customer service requests received by the unit. Indicatively, in 2016 there was an average of 240 requests received per day through the generic e-mail box which is monitored by the unit. This represents a 15 per cent increase over the 2015 average. Some of the increase in customer service requests can be attributed to the issues faced in MIRIS system since its implementation.

69. Presently, there is a high level of reliance on the work performed by the Coordinator of the Customer Support Unit and a prolonged absence of the individual could materially affect the quality of service provided to customers.

70. In effect, both these units have dependency on these staff members to the extent that in the event of a prolonged absence of these staff members it could potentially lead to a situation of having a single point of failure for the services provided by these units. This is further accentuated due to the high degree of reliance by both units on a flexible workforce. The nature of work performed by both units requires considerable training effort in enabling new comers to handle work tasks independently. Both Units rely to a large extent on a flexible workforce, constituted by agency workers. The relatively high turnover of agency workers implies constant need for training, frequently frustrated training efforts and a low degree of continuity and experience. Thus, an adequate number of fixed term positions for these services is of vital importance.

Recommendations

7. The Madrid Registry should work closely with the Human Resources Management Department to prepare long term HR plans with a view to reducing the dependence on personnel working under flexible working arrangements and to have the adequate balance of skills and competences required to meet its future needs. (Priority: High)
8. The Madrid Registry should identify areas in which there is the likelihood of single points of failure such as in the customer service unit and the client records unit and invest in developing backup personnel for those roles (Priority: Medium)

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Approved by: Rajesh Singh

TABLE OF RECOMMENDATIONS

No	Recommendations	Priority	Person(s) Responsible	Management Comments and Action Plan	Deadline
1.	The Human Resources Management Department and Madrid Registry should expedite the recruitment process for a Director of the Madrid IS Division.	High	Mr. Höpperger Ms. Barbier	The position will in all likelihood be re-advertised. The recruitment process may be subject to further organizational changes.	Last quarter 2017 to first quarter 2018.
2.	The Brands and Designs Sector should work closely with the Human Resources Management Department to fast tract the process for reclassification and recruitment of the Director, Madrid Registry at an appropriate grade.	Medium	Ms. Wang/ Ms. Moussa	Process is under way. This is not a case for reclassification.	Last quarter 2017.
3.	The Madrid Registry should ensure that all staff involved in a quality role have been trained in the principles of quality management as per ISO standards.	Medium	Mr. Ntamack/ Mr. Höpperger	Due to limited staff resources, quality control is carried out to a large extent by staff in the Operations Division. Any formal training must take into account the operational needs of that Division as well as the imperatives of producing output.	Third quarter of 2017.
4.	The Madrid Registry should ensure the consistency of transaction flow information between the business process maps and the examination manual.	Medium	Ms. Valdimarsdottir/ Mr. Ntamack	The recommended exercise will go forward as soon as the Examination Manual is finalized (deadline end of June 2017).	Third quarter of 2017.

No	Recommendations	Priority	Person(s) Responsible	Management Comments and Action Plan	Deadline
5.	The Madrid Registry should expeditiously prepare a formal project closure report for the Madrid IT modernization program with a view to prioritize the documentation of the lessons learned from the project so that these are taken into consideration in any future IT efforts.	High	Mr. Mac Stravic	The report will be prepared by the Madrid Information Systems Division (MIS) and should be presented to the Madrid Initiatives Board (MIB).	End of July 2017.
6.	The Madrid Registry should prioritize the IT enabling of the quality control and certification processes so as to reduce the extent of manual work from the present levels.	Medium	Mr. Mac Stravic	A dedicated project is under preparation – the Registry Infrastructure Code Overhaul (RICO) Project. A Project Proposal is due by the end of week 19 (May 12).	Fourth quarter 2017.
7.	The Madrid Registry should work closely with the Human Resources Management Department to prepare long term HR plans with a view to reducing the dependence on personnel working under flexible working arrangements and to have the adequate balance of skills and competences required to meet its future needs.	High	Ms. Valdimarsdottir Mr. Mac Stravic Ms. Barbier	A response to this recommendation is initiated through the workforce planning analysis, carried out jointly by HRMD and the Madrid Registry. Conclusions drawn from this exercise will inform the workforce planning process for the next biennium with a view to address recommendation 7. Implementation will be gradual and stretch out over the entire future biennium.	Must be kept under review: First checkpoint: fourth quarter 2017. Thereafter second and fourth quarters of 2018a nd 2019.
8.	The Madrid Registry should identify areas in which there is the likelihood of single points of failure such as in the customer service unit and the client records unit and invest in developing backup personnel for those roles.	Medium	Ms. Valdimarsdottir Mr. Mac Stravic Mr. Höpperger	An analysis and internal report to address this recommendation will be prepared. Conclusion to be implemented through appropriate management action (internal organization/recruitment where necessary) will follow.	Fourth quarter 2017.

[Annex I follows]

ANNEX I – 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]