

## Program and Budget Committee

**Thirtieth Session**  
**Geneva, July 8 to 12, 2019**

REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)

*prepared by the WIPO Independent Advisory Oversight Committee (IAOC)*

1. This document contains the Report by the WIPO Independent Advisory Oversight Committee (IAOC), prepared by the IAOC and covering the period July 6, 2018 to June 14, 2019.
2. The following decision paragraph is proposed:
  3. *The Program and Budget Committee (PBC) recommended to the WIPO General Assembly to take note of the “Report by the WIPO Independent Advisory Oversight Committee (IAOC)” (document WO/PBC/30/2).*

[Report by the WIPO Independent  
Advisory Oversight Committee follows]



ANNUAL REPORT BY THE WIPO  
INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)  
FOR THE PERIOD JULY 6, 2018 to June 14, 2019

[July 2, 2019]

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## I. INTRODUCTION

1. Pursuant to its Terms of Reference, the WIPO Independent Advisory Oversight Committee (IAOC) submits an annual report to the Program and Budget Committee (PBC) and to the WIPO General Assembly.
2. The IAOC (hereinafter also referred to as “the Committee”) was established in 2005. It is a subsidiary body of the WIPO General Assembly and of the PBC. It serves in an independent expert advisory capacity and assists the Assembly and the PBC in fulfilling their oversight responsibilities.
3. The present report covers the period July 6, 2018 to June 14, 2019. Section II of this report provides an overview of the Committee’s quarterly sessions, composition of the Committee and working methods. Section III details matters discussed and reviewed by the Committee during the reporting period.

## II. QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS

### *Quarterly Sessions*

4. During the reporting period, the Committee held four quarterly sessions: from October 15 to 19, 2018 (50<sup>th</sup> session); from December 4 to 7, 2018 (51<sup>st</sup> session); from March 19 to 22, 2019 (52<sup>nd</sup> session); and from June 11 to 14, 2019 (53<sup>rd</sup> session). In line with its Terms of Reference, the Committee held an information meeting with representatives of Member States following each session, and published its session reports on the WIPO website.

### *Composition and Selection Process for new Members*

5. The IAOC comprises seven members drawn from WIPO’s Regional Groups. The members serve in their personal capacity and independently of Member States. In conformity with its Terms of Reference and Rules of Procedure, at its 51<sup>st</sup> session in December 2018, the Committee elected Ms. Maria Vicien-Milburn as Chair, and Ms. Tatiana Vasileva as Vice-Chair.
6. In accordance with the selection process described in paragraph 28 of document WO/GA/39/13, the Committee currently consists of the following members:

- Ms. Maria Vicien-Milburn, Chair (Group of Countries of Latin America and the Caribbean);
- Ms. Tatiana Vasileva, Vice Chair (Group of Central Asian, Caucasus and Eastern European States (CACEEC));
- Mr. Gábor Ámon (Group of Central European and Baltic States (CEBS));
- Mr. Mukesh Arya (Asian Group);
- Mr. Egbert Kaltenbach (Group B);
- Mr. Othman Sharif (African Group); and
- Mr. Zhang Long (China).

The composition reflects a proper mix and balance of skills, expertise and experience.

7. As the mandate of two members, representing CEBS and Group B, will expire on January 31, 2020, the selection process described in paragraph 28 of document WO/GA/39/13 has been initiated.
8. At its 52<sup>nd</sup> session, the Committee was informed by the Secretary of the Selection Panel that the vacancy announcement had generated a total number of 157 applications, 78 of which were deemed eligible, i.e., meeting the essential requirements. Based on an evaluation matrix

previously agreed on with the Selection Panel, the Committee reviewed and rated these 78 applications, highlighting 13 candidates with the highest number of scores.

9. In accordance with the established process, the applications submitted for the Committee's assessment contained candidates from Regional Groups already represented on the Committee and who are therefore highly unlikely to be selected. In the Committee's view, focusing on applications from the priority groups, i.e., those groups no longer represented on the Committee, would improve the efficiency of the process. The Committee is aware that any procedural changes would require a revision of the process of selection and rotation of the IAOC members as contained in document WO/GA/39/13. It therefore wishes to signal this issue at an early stage for consideration by Member States prior to the next selection process.

#### *Working Methods*

10. The Committee is non-executive, providing advice through its engagement with WIPO's Director General and other senior managers, the Director, Internal Oversight Division (IOD), the Chief Ethics Officer, the Ombudsperson, the Controller and the External Auditor, mainly on the basis of reports and information that it is provided with. It further deliberates on relevant matters internally to reach its conclusions.

11. During the reporting period, the Committee received briefings on the Global Issues Sector and on the Development Sector. These meetings with the Senior Program Managers and their teams provided insightful and comprehensive overviews on WIPO's substantive functions and activities, and allowed the Committee to gain a better understanding of the context of its oversight and advisory responsibilities.

### **III. MATTERS REVIEWED**

#### **A. Internal Oversight**

##### *Internal oversight plan and workplan results*

12. At its 51<sup>st</sup> session, the Committee reviewed, together with the Director, IOD, the proposed Oversight Annual Workplan for 2019 and was satisfied with the risk-based methodology applied. The Annual Workplan 2019 included five internal audits, three evaluations and two combined audit and evaluation engagements. During the 52<sup>nd</sup> session, IOD informed the Committee that at the request of Management, an audit of the Patent Cooperation Treaty (PCT) Netting Pilot Project had been added to the workplan, as this project aims at improving cash management and reducing foreign exchange risk exposure for PCT fees. The Committee considered the audit to be highly relevant and welcomed its inclusion in workplan.

13. At each of its sessions, the Committee discussed the IOD Activity Report for the previous period with the Director, IOD. The Committee wishes to express its satisfaction with the progress made by IOD in implementing its workplans.

##### *IOD Annual Report*

14. At its 53<sup>rd</sup> session, the Committee reviewed the draft Annual Report by the Director, IOD, which covers the period July 1, 2018 to June 30, 2019. The Committee shares the view of the External Auditor that it would be desirable for IOD to align the reporting period with the period of the IOD annual workplan (January 1 to December 31). This would not only ensure that planning and reporting are matched, but also prepare the ground for an annual assurance statement on internal control.

##### *IOD Staffing*

15. During the reporting period, IOD faced several and sometimes protracted vacancies. The position of Head, Internal Audit Section, which had been vacant since June 2017, was not filled

until July 2018. The ensuing vacancy of the Senior Internal Auditor position will not be filled until August 2019. The Committee noted with concern the length of the recruitment process in these cases and its impact on the oversight capacity. The Committee acknowledged, however, the special efforts made by IOD to achieve the planned results despite those staffing constraints.

*IOD Secretary*

16. Administrative support for the investigation function is provided by a Secretary at G4 level. The position has become vacant in December 2018. The Committee holds the view that the current position level may not be sufficient to attract and retain qualified staff for this highly sensitive function. The Committee, therefore, supports the intention of the Director, IOD to reallocate the investigation-related duties to another position within IOD and to seek an upgrade of the post in question to an appropriate level.

17. The Committee discussed with the Director, IOD, the budgeting for the Division and encouraged the Director to take into consideration the increasing need for engaging external consultants when a conflict of interest prevents IOD from undertaking certain investigations engagements.

*Internal Audit*

18. During the reporting period, the IAOC reviewed, together with IOD and Management, five internal audit reports :

- Audit of Physical Access Security Systems (IA 2018-04)
- Audit of Enterprise Resource Planning (ERP) Portfolio (IA 2018-03)
- Audit of Funds-in-Trust Managed by WIPO (IA 2018-05)
- Audit of PCT Netting Pilot (IA 2019-06)
- Audit of Implementation of WIPO Information Assurance Strategy (IA 2018-06)

19. The audit reports on ERP Portfolio, Funds-in-Trust Managed by WIPO and PCT Netting Pilot were published in unredacted format on the WIPO website.

20. The Committee was pleased to note that, in all cases, Management agreed with the findings and accepted the recommendations.

*Evaluation*

21. At its 52<sup>nd</sup> session, the Committee took note that an updated version of the Evaluation Manual had been issued, with the objective of making it more accessible to audiences beyond evaluation experts. The Committee welcomed the revisions made, which highlighted, *inter alia*, the key success factors for evaluations and elaborated on the use of evaluation results.

22. The Committee also reviewed the Terms of Reference of the External Quality Review of the evaluation function which, in accordance with the Internal Oversight Charter, is due every five years. The Committee suggested to include in the aspects to be examined, the user-friendliness of evaluation products.

23. During the reporting period, the IAOC reviewed, together with IOD and Management, four evaluation reports:

- Evaluation of Program 18: IP and Global Challenges (EVAL 2017-03)
- Evaluation of Capacity Development of Intellectual Property Skills (EVAL 2017-05)

- Evaluation of the Pilot Program on Professional and Career Development (Phase 2) (EVAL 2018-01)
  - Meta-Evaluation Synthesis Report of WIPO Evaluation Products (EVAL 2018-03)
24. All evaluation reports have been published in unredacted format on the WIPO website.

#### *Investigations*

25. In accordance with the Internal Oversight Charter, the Director, IOD, apprised the Committee at each session, on the status of investigation cases and caseload trends, providing a breakdown of complaints received and complaints substantiated by category of misconduct.

26. At the time of writing this report, there were 14 open investigation cases, three of which were under preliminary evaluation and eight under full investigation. Most of these pending cases were registered in 2018 and 2019. In accordance with the Internal Oversight Charter, in cases involving a potential conflict of interest on the part of IOD, the Committee reviewed each case in detail and provided advice to the Director, IOD and others.

27. While the Committee was satisfied with the overall timeliness in which IOD addressed complaints and completed investigations, the Committee reiterated its concerns about significant delays in certain cases, due to lack of cooperation by investigation subjects or complainants during the investigation.

28. Delays also occurred in cases where, due to a conflict of interest situation or for other reasons, IOD was unable to undertake the investigation, resulting in the need to engage external investigators. At the recommendation of the Committee, the Director, IOD, is establishing a roster of pre-selected investigation consultants for use by the Committee. The Committee is convinced that this roster, once operational, will facilitate engaging external investigators in a more timely manner.

#### B. External Audit

29. During the reporting period, the Committee has regularly interacted with the External Auditor, National Audit Office (NAO), United Kingdom. The Committee also held private sessions with the External Auditor.

30. At its 50<sup>th</sup> session, the Committee discussed with the External Auditor their audit planning report on the 2018 Financial Statement Audit, in particular their risk assessment and planned audit focus. The Committee was pleased with the analysis provided by the External Auditor and concluded that the audit plan covered the significant audit risks, including areas of special interest or potential concern to Member States.

31. At its 51<sup>st</sup> session, the Committee discussed with the External Auditor the status of the interim audit and issues arising from it.

32. At its 53<sup>rd</sup> session, the Committee discussed with the External Auditor and the Controller the External Auditor's Report on the 2018 WIPO Financial Statements and the corresponding Audit Completion Report, which detailed the key audit findings supporting the audit opinion.

33. The Committee was pleased to note that WIPO has obtained an unqualified audit opinion, and that the External Auditor attested the high quality of WIPO's financial statements. The External Auditor saw scope for streamlining the financial statements by focusing the financial commentary on the key material aspects relating to financial performance and financial health. The External Auditor acknowledged the high quality and maturity of WIPO's internal control framework and of the annual Statement on Internal Control. They recommended further improvement by leveraging data analytics opportunities to automate the monitoring of core business processes.



34. As this year's performance audit focused on Results-Based Management and on Human Resources Management, most of the 16 audit recommendations made were directed at further improving these two areas. One such recommendation pertained to aligning performance indicators used for Results Based Management and the internal reporting framework in order to facilitate decision-making by Management.

35. The Committee commends the External Auditor on the quality, reader-friendliness and timeliness of the report and looks forward to continued interaction with them.

#### C. Financial Reporting

36. At the 52<sup>nd</sup> session, the Controller and the Director, Finance Division, briefed the Committee on the draft Financial Statements for the year ended on December 31, 2018. According to the Statement of Financial Performance, total revenue had increased by Swiss francs 21 million, mainly due to further substantial increases in the PCT and Madrid systems fees. Expenses decreased by Swiss francs 19 million, mainly due to the reduction in finance costs. The surplus exceeded Swiss francs 42 million, an increase of almost 24 million over 2017. According to the Statement of Financial Position, WIPO's net assets as at December 31, 2018 amounted to Swiss francs 261 million, an increase of 59 million over 2017.

37. At the 53<sup>rd</sup> session, the Controller and the Director, Finance Division briefed the Committee on certain minor adjustments made to the draft Financial Statements in response to recommendations made by the External Auditor.

#### D. Risk Management and Internal Controls

##### *Security and Information Assurance*

38. At the 50<sup>th</sup> session, the Chief Security Officer provided the Committee with an update on WIPO's Information Assurance Strategy 2016-21. The Committee is aware that the high-risk area of information security is most critical for WIPO's continued business success. The Committee was satisfied with the structured approach taken, the analysis provided and the steady progress in implementing the projects contained in the 2016-20 Enterprise Information Assurance Plan.

39. The Committee was also briefed on the Strategic Security Plan 2016-21 and on the planned outcomes and status of the various projects under this plan.

##### *WIPO Internal Control Framework*

40. At the 50<sup>th</sup> session, the Director, Program Planning and Finance (Controller) and the Assistant Controller provided the Committee with an update on the actions taken, in progress and planned, for strengthening the WIPO Internal Control Framework. The Committee welcomed, in particular, the upcoming launch of the e-learning program on Fraud Awareness and the ongoing revision of WIPO's Anti-Fraud Policy. The Committee also commended Management on the increased use of data analytics for control automation and for reporting on exceptions. To avoid duplication with such in-built controls, IOD is redesigning and refocusing its continuous auditing activities.

##### *WIPO Accountability Framework*

41. At its 53<sup>rd</sup> session, the Committee discussed with the Controller and the Assistant Controller the recently published WIPO Accountability Framework (WO/PBC/29/4). The Committee welcomed the document, which brings together the various accountability elements in a clearly structured manner. The Committee noted that Component 5 - *Information and Communication* focuses on communication with external parties and suggested that it reflect also communication with internal stakeholders. The Committee also suggested that the

Management conduct an evaluation of the implementation of the framework at an appropriate time in future.

E. Implementation of Oversight Recommendations

42. At each of its sessions, the Committee reviewed the status of implementation of oversight recommendations, based on data provided by IOD's central database TeamCentral. At the time of writing this report, the Committee was informed that the number of open oversight recommendations totalled 155, of which 68 (44 per cent) were rated high priority. The recommendations that resulted from internal oversight engagements totalled 132 (85 per cent); two recommendations emanated from the IAOC. Since the beginning of the reporting period, the total number of open recommendations decreased by 14 per cent; the Committee was satisfied that both Management and IOD actively monitor the status of oversight recommendations and work towards their full implementation.

43. In view of the high number of long outstanding recommendations by IOD, the Committee suggested a periodic review to ascertain their continued relevance and to re-assess their residual risk level. The Committee was informed that the Secretariat and IOD planned to review by the end of the year those recommendations that had been made at least three years ago.

44. At its 51<sup>st</sup> session, the Committee noted that a number of recommendations made by the previous External Auditor had been marked by Management as "completed", but were still awaiting clearance by the incumbent External Auditor. Subsequently, the External Auditor reviewed the pending external audit recommendations and confirmed that 12 had been completed, while seven remained under implementation. The Committee suggested that IOD reconcile its statistics on external audit recommendations with the corresponding data in the External Auditor's Report on the 2018 WIPO Financial Statements.

45. At its 50<sup>th</sup> session and again at its 53<sup>rd</sup> session, the Committee reviewed the status of recommendations made by the Joint Inspection Unit (JIU) that were addressed to Executive Heads. The Committee was satisfied with the progress made in implementing these recommendations and the structured manner in which the Secretariat monitors and reports on the implementation. At the time of writing this report, there were only 14 outstanding recommendations from JIU reports issued in 2018 and prior years, most of which were under active implementation.

F. Ethics and Ombudsperson

*Ethics Office*

46. According to its Terms of Reference, the Committee shall, at its last session of the previous year, review and advise on the proposed Annual Workplan of the Ethics Office. As the Committee did not receive the proposed 2019 workplan on time for review, the Committee reviewed and took note of the 2019 workplan already approved by Management. The workplan contained the various activities planned under the areas of responsibility assigned to the Ethics Office and indicated, *inter alia*, priority levels, expected results and applicable target dates, as had been suggested by the Committee. The Committee suggested to further improve the format of future workplans, for instance, by including expected caseload data. The Committee expects the Chief Ethics Officer to submit in future the proposed annual workplan prior to its finalization for the Committee's review and advice.

47. The Terms of Reference also require the Committee to review and advise on proposed ethics policies. Currently, the work of the Ethics Office is still governed by the outdated June 2010 Office Instruction on the WIPO Ethics Office (OI 25/2010). In May 2018, the Committee provided extensive comments and suggestions on a proposed new Office Instruction on the WIPO Ethics Office. During the reporting period, the Committee regularly followed up on the status of this policy document, which it considers key for the governance and mandate of the Ethics Office. At the time of writing this report, the Committee had not yet received a revised

version. The Chief Ethics Officer has committed to share a revised draft prior to the Committee's 54<sup>th</sup> session for further review and discussion, as appropriate.

48. In November 2017, after consultation with IAOC, the WIPO Policy on Financial Disclosure and Declaration of Interest (OI/36/2017) was promulgated. Based on the experience gained so far, WIPO prepared a set of proposed amendments to the policy to be applied to the 2018 filing cycle. At its 53<sup>rd</sup> session, the Committee reviewed the proposed changes and was satisfied with the explanations provided by the Chief Ethics Officer. The Committee noted that the External Reviewer would continue to review the Financial Disclosure and Declaration of Interest (FDDI) declarations; however, the additional International Public Sector Auditing Standards (IPSAS) disclosures would, in future, be reviewed by the Chief Ethics Officer to ensure their timely availability for the annual Financial Statements.

49. At the 53<sup>rd</sup> session, the Chief Ethics Officer also presented an oral progress report. The Committee was pleased to note that a part-time administrative support has become available to the Ethics Office.

#### *Ombudsperson*

50. At its 50<sup>th</sup> session, the Committee discussed with the Ombudsperson his Activity Report for 2017, issued on August 15, 2018, and the main observations and recommendations contained in the report. The Ombudsperson also briefed the Committee on the implementation of the Conflict Prevention Relays. It was the Committee's view that Member States might benefit from the information contained in the Activity Report of the Ombudsperson and that WIPO might, therefore, consider submitting future reports to the Coordination Committee. At the time of writing this report, the Ombudsperson Activity Report for 2018 was not yet available for review and discussion by the Committee.

#### G. Other matters

##### *WIPO Investment Reports*

51. As requested by Member States, Management submitted to the Committee at each of its sessions the monthly Investment Performance Reports and the monthly Investment Monitoring Reports, prepared by the Investment Advisors and the Custodian, respectively. The Committee wishes to clarify that its role is limited to conveying information contained in the Investment Performance Report and Investment Monitoring Report and does not provide any assurances in that regard.

52. At the 52<sup>nd</sup> session, the Director, Finance Division, briefed the Committee on the Investment Framework and Governance Structure, and provided explanations on the Investment Monitoring Reports and Investment Performance Reports. The Committee was satisfied with the overall framework and governance structure and appreciated the explanations provided, which facilitate the Committee's review of the investment reports.

53. Based on the periodic reviews, the Committee confirms that the information provided during the reporting period shows that during the period reviewed, and based on the investment market benchmark, all the vehicles in WIPO's investment portfolio delivered the expected results and were managed in accordance with the stated Investment Strategy. In addition, the Committee confirms that the Custodian has not reported any breaches, active or passive, nor justified exceptions.

54. The Committee shares the view of the External Auditor that there remains scope for more regular formal reporting by Management to inform the PBC on WIPO's investment activities.

*Investigation and Related Processes*

55. At the 28<sup>th</sup> session, the Program and Budget Committee (PBC) requested the IAOC to review and propose amendments to the WIPO Internal Oversight Charter or the investigation policy, with a view to providing clarification of targeted timelines in the reporting and investigation processes.

56. At its 51<sup>st</sup> session, the Committee reviewed the WIPO Internal Oversight Charter, the WIPO Investigation Policy, the WIPO Policy to Protect against Retaliation for Reporting Misconduct and for Cooperating with Duly Authorized Audits or Investigations and other relevant documents, taking into account relevant reports of the JIU as well as practices in other UN system organizations.

57. The Committee concluded that the targeted timelines established in WIPO were generally adequate and that no amendments to the WIPO Internal Oversight Charter were warranted. However, the Committee recommended certain amendments to the Investigation Policy and the Policy to Protect against Retaliation, with a view to enhance clarity and ensure consistency in the application of established timelines. To that effect, the Committee shared with the Secretariat a draft report on "Targeted Timelines for the Investigation and Related Processes", containing the Committee's assessment and several recommendations addressed to the Director General and to the Director, IOD. During the 52<sup>nd</sup> session, the Committee finalized the report, taking into account the comments received from the Secretariat. The report has been submitted to the Program and Budget Committee at its 30<sup>th</sup> session (WO/PBC/30/14).

*JIU Review of Audit/Oversight Committees in the UN system*

58. At its 53<sup>rd</sup> session, the Committee reviewed and provided comments on the draft JIU report on the Review of Audit/Oversight Committees in the UN system. The Committee was pleased to note that WIPO meets most of the 13 benchmarking criteria for UN system oversight committees and that some of WIPO's arrangements have been highlighted by JIU as a good practice.

**IV. CLOSING REMARKS**

59. The IAOC expresses its appreciation to the Director General, the Director, IOD, the Legal Counsel, the Chief Ethics Officer and other senior managers, as well as the External Auditors, for their availability, clarity and openness in their regular interaction with the Committee, and for the information provided.

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