

Program and Budget Committee

Thirty-Sixth Session
Geneva, June 19 to 23, 2023

REPORT BY THE EXTERNAL AUDITOR

1. This document comprises the following items:

- (i) The Independent Auditor's report which contains the opinion of the External Auditor on the financial statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2022; and
- (ii) Report of the External Auditor for the financial year 2022 to the 64th Series of Meetings of the Assemblies of the Member States of WIPO (also known as the "long form report"). This report contains the External Auditor's recommendations arising from the audit work undertaken during the year 2022.

2. The following decision paragraph is proposed.

3. *The Program and Budget Committee (PBC) recommended to the Assemblies of WIPO, each as far as it is concerned, to take note of the "Report by the External Auditor" (document WO/PBC/36/4).*

[Report by the External Auditor follows]

INDEPENDENT AUDITOR'S REPORT TO THE WORLD INTELLECTUAL PROPERTY ORGANIZATION

Opinion on financial statements

I have audited the financial statements of the World Intellectual Property Organization for the year ended 31 December 2022, which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement, Statement of Comparison of Budget and Actual Amounts for the year then ended, and the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of the World Intellectual Property Organization as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the General Assembly of the World Intellectual Property Organization and the financial transactions conform to the Organization's Financial Regulations.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the World Intellectual Property Organization's Financial Regulations. My audit of regularity was undertaken in accordance with the World Intellectual Property Organization's Financial Regulations. My responsibilities under these standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the World Intellectual Property Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in the United Kingdom, namely the Financial Reporting Council's Ethical Standards 2019 as applicable to listed entities. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Financial Report and Statement on Internal Control. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing World Intellectual Property Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the World Intellectual Property Organization or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing World Intellectual Property Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the World Intellectual Property Organization's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the World Intellectual Property Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the World Intellectual Property Organization to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenses reported in the financial statements have been applied to the purposes

intended by the General Assembly and the financial transactions confirm to the Financial Regulations which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have also issued a long-form audit report on the results of my audit.

[signed] Gareth Davies

Date: 17 May 2023

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National Audit Office

MAY 2023

World Intellectual Property Organization

External Auditor's Report on the 2022 WIPO Financial Statements

The aim of the audit is to provide independent assurance to member states; to add value to the WIPO's financial management and governance; and to support your objectives through the external audit process.

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

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Introduction

1 The World Intellectual Property Organization (WIPO) was established in 1970 by the 1967 WIPO Convention. The history of WIPO can be traced as far back as the 1883 Paris Convention for the Protection of Industrial Property. The purpose of WIPO is to lead the development of a balanced and effective international intellectual property system. The organisation comprised some 193 Member States and is financed primarily through fees charged for its services through its treaty unions, particularly the Patent Cooperation Treaty (PCT), Madrid and Hague Unions. WIPO also receives assessed and voluntary contributions.

2 In addition to our opinions on WIPO's financial statements, this report presents the key findings and recommendations arising from our work, including our observations on financial management, WIPO's property strategy and opportunities from reviewing existing business processes. Our report also follows up the progress made implementing our previous recommendations.

3 Our findings and recommendations have been discussed with management. In line with good practice, the results of our financial audit were communicated to the Independent Advisory Oversight Committee prior to finalising our work.

4 The original drafting language of this report is English. The English version is the authoritative text.

Key observations

Audit opinions on the financial statements

5 Our audit comprised the examination of the 2022 financial statements and associated transactions and events for that year. It was conducted in accordance with International Standards on Auditing and the Financial Regulations. Those standards require that the United Kingdom's Comptroller and Auditor General (C&AG) and his staff comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. We provided unqualified audit opinions, without modification, on the financial statements. The financial statements remain of high quality, supported by sound systems of internal controls and reporting.

Financial management

Financial performance

6 WIPO delivered a further strong financial performance in 2022, reporting a surplus of CHF 7.7 million (2021: CHF 108.9 million). This reduction from the previous year is due to expected unrealised losses on the investment portfolio. Excluding investment performance, the year-on-year position is more comparable with an operating surplus

of CHF 95.7 million (2021: CHF 86.2 million). Together with other movements within the financial statements, net assets increased to CHF 560.0 million (2021: CHF 408.5 million). Revenues increased by CHF 23.4 million (4.9 per cent) to CHF 498.5 million. During the same period, expenditures increased by CHF 13.9 million (3.6 per cent) to CHF 402.8 million predominantly due to increases in travel costs, though these remain at approximately half the pre-pandemic levels.

7 WIPO reported an actuarial gain of CHF 143.8 million (2021 loss: 87.5 million) these gains, resulted from the net impact of changes in the assumptions for medical costs and inflation and the discount rate. Employee benefits continue to represent the greatest area of risk to WIPO's financial health. Despite the reduction in these liabilities, WIPO has continued to set aside resources to mitigate the financial risks arising from these liabilities.

8 While noting expected slowing of future growth, there continues to be a strong pipeline of applications, a healthy reserve position and relatively high levels of cash and other current investments. We therefore concluded that management's assertion in respect of going concern of WIPO remained appropriate. The Organization is well placed to respond to the continued global economic uncertainty. As previously reported, the financial performance and position for each Union demonstrate how reliant the Organization is on the PCT and Madrid Unions which, especially the PCT, to compensate for the deficits reported by the Hague and Lisbon Unions.

9 The 2022 Financial Statements recognise a significant decrease in the employee benefit liabilities, reversing the trends of previous years. These liabilities comprise primarily the staff members' after-service health insurance, their repatriation entitlements and accumulated leave liabilities. During 2022, the overall liability for these staff benefits has decreased to CHF 504.9 million (2021: CHF 615.8 million). While the actual liability reported has reduced, this is due to specific market conditions in 2022 impacting the discount rate used, these benefits will consume a growing proportion of WIPO's future revenues. Assuming current assumptions remain consistent, WIPO forecasts that the liability for the after-service health insurance alone is projected to increase to CHF 584 million by 31 December 2026. Given the continued importance of these liabilities to WIPO our report gives details of our assessment of the estimates used by management.

10 WIPO's annual financial report provides a detailed financial commentary to accompany its financial statements. It is important for all organisations to challenge how they use the accompanying financial commentary on a regular basis, obtaining feedback from the users of the statements.

Governance and internal control

11 Our audit has not identified any material weaknesses in the system of internal controls, and processes continue to provide a strong and robust set of assurances to underpin the Director General's Statement on Internal Control. This includes an increasingly mature approach towards risk management, now underpinned by the consideration of risk appetites. WIPO continues to seek opportunities for improvement to its internal control environment. For example. WIPO has undertaken a review of its

Home Leave Travel business process. This has provided useful insight on how a processes can be made more efficient, proportionate and risk focused. Such an approach should be extended to other business processes.

12 Following our recommendations last year, greater focus has been placed on reviewing the operating effectiveness of the key controls, which address the most significant risks to the control environment. WIPO has validated the operation of these controls during the period and assessed them as deployed and reliable. While noting the continued use of a five-scale maturity assessment for the controls, there is an opportunity to further streamline this to align levels to a risk appetite, aiming for enhanced controls only in those areas which are deemed most critical to operations, targeting more proportionate focus and investment. We have noted that the use of data analytics to support compliance assurance remains in progress.

13 Sound ethical conduct is the foundation for the operation of an effective control environment. WIPO's Ethics Office provides independent advice and guidance, promotes good practice and builds awareness. We have noted positive recent developments especially in the take up of mandatory training and to induction processes. Our review of WIPO's policies over 'conflicts of interest' identified several areas where there may be benefit in extending requirements to report potential or perceived conflicts to spouses and close family members, especially in areas related to Intellectual Property activity.

WIPO's estate's management

14 WIPO operates an estate valued in the financial statements at some CHF 343.7 million, covering its six Geneva buildings. It also operates from seven External Offices. We considered how WIPO utilises this estate to deliver its objectives and how it ensures these resources are used efficiently. While WIPO has multi-year operational plans covering the maintenance and condition of its buildings and funding of major works is envisaged through the Capital Master Plan, there is no articulation of the overall estate strategy. An overarching strategy would provide a clearer view of the needs of the Organization and its ways of working and how this supports the efficient and effective delivery of objectives. It would provide a clearer document to ensure accountability for the use of these resources and provide transparency on the principles which underpin estate management, creating a framework against which future investment decisions could be measured and assessed.

15 An estates strategy should also articulate the type of work environment which WIPO wishes to create. Our assessment is that the current workspaces do not lend themselves to fully fostering the innovative and collaborative environment which the Organization has embraced. The absence of a strategy has also meant that WIPO has not formally established its workspace needs, something which is increasingly important given post pandemic working patterns. Together with the more flexible use of areas such as the PCT building, and opportunities arising from the Regional Office network, there could be opportunities for WIPO to use its space more efficiently. These assessed needs would then better drive the investment decisions which are pending in respect of the current Capital Master Plan to refurbish the existing estate. Investment decisions should be carefully assessed against the strategic needs of WIPO, within the context of

the wider estate.

Sustainability reporting

16 WIPO has fully participated in system wide reporting of key sustainability measures as part of the UN's Greening the Blue Initiative to report key sustainability metrics. It has also proactively reported its approach to sustainability on its website and in other documents, building sustainability aims into its operational programmes. With WIPO's commitments in this area, sustainability initiatives and the development of a new Environmental Management System to track and record sustainability data, we believe that WIPO is well placed to further enhance its sustainability reporting and accountability. There is currently no public sector specific format for reporting sustainability metrics, although the International Public Sector Accounting Standards Board is developing guidance. However, we believe that WIPO is strongly placed to be able to report sustainability metrics and measure its performance, summarising these within the Director General's financial report.

Previous recommendations

17 Of the 12 recommendations raised for 2021 and those from earlier years that remained in progress, WIPO has implemented six recommendations, we have closed a further recommendation due to it being superseded. Five recommendations remain open or are in progress.

Part One

Financial management

Overall audit results

1.1 The External Auditor has audited WIPO's financial statements for the year ended 31 December 2022 which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flow, Statement of Changes in Net Assets, Statement of Comparison of Budget and Actual Amounts and the related notes. The audit opinion confirms that the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2022 and of its financial performance and cash flows for the year then ended. It also confirms their proper preparation in accordance with International Public Sector Accounting Standards and that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by Member States.

Financial performance

1.2 In 2022 WIPO reported an overall surplus for the year of CHF 7.7 million (2021: CHF 108.9 million) which, together with actuarial gains on WIPO's post-employment liabilities of CHF 143.8 million, increased net assets to CHF 560.0 million at December 2022 (2021: CHF 408.5 million). Revenue in 2022 of CHF 498.5 million (2021: CHF 475.1 million) represents an increase of 4.9 per cent from the previous year. Applications received by the Organization's primary unions have remained strong, and the level of fee revenues has continued to increase. As a result of wider market conditions, WIPO's investment portfolio suffered unrealised losses of CHF 88.1 million in 2022 (2021: gains of CHF 22.7 million). We have commented further on investment performance below.

1.3 WIPO incurred expenditures of CHF 402.8 million, an increase of CHF 13.9 million (3.6 per cent) on 2021 (CHF 388.9 million). As discussed in the accompanying Financial Report, overall expenses have increased in 2022. The new Young Experts Programme explains the movement in the fellowship expense, while expenditure on travel and staff missions has increased significantly following the lifting of restrictions, though these costs remain lower than pre-pandemic levels.

Financial position

1.4 The overall surplus has contributed to gross assets increasing by 2.8 per cent to CHF 1,621.1 million as at 31 December 2022 (2021: CHF 1,577.3 million). At the period end, WIPO was holding proportionately more assets in cash and cash equivalents as none was invested due to market conditions in the second half of the year.

1.5 During 2022, gross liabilities decreased by 9.2 per cent to CHF 1,061.1 million (2021: CHF 1,168.8 million). This is primarily due to the decrease in the Organization's employee benefits to CHF 504.9 million as at 31 December 2022 (2021: CHF 615.8 million). This decrease is predominantly due to changes in assumptions underpinning the post-employment liabilities which are further explained later in this report. The combined effect of changes in assets and liabilities was to increase net assets to CHF 560.0 million as at December 2022 (2021: CHF 408.5 million).

Financial health

1.6 We use ratio analysis of an organisation's financial health on all our international audits to show how financial positions change over time (Figure 1). They express the relationship of one item of account against another. For example, there are CHF 0.66 of current assets for every CHF 1 of current liabilities. This might normally be a cause for concern, but this low level is mitigated by the pipeline of future work evidenced by the high value of advance receipts (CHF 337.3 million). While unlikely, should the need arise, WIPO could liquidate its longer-term investments for cash-flow purposes.

Figure 1: WIPO Key financial ratios 2018-2022

Ratio	2022	2021	2020	2019	2018
Total assets: Total liabilities	1.53	1.35	1.39	1.42	1.32
Assets: Liabilities					
Current ratio					
Current assets: Current liabilities	0.66	0.54	0.63	0.56	0.60
Cash ratio					
Cash and cash equivalents: Current liabilities	0.43	0.26	0.28	0.38	0.44

Notes

- ¹. A high current ratio indicates an entity's ability to pay off its short-term liabilities.
- ². A high asset to liability ratio is a good indicator of solvency.
- ³. The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash and cash equivalents there are in current assets to cover current liabilities.

Source: Audited Financial Statements of WIPO

1.7 Overall, WIPO continues to maintain a sound financial situation. The Organization has healthy reserves which are significantly backed by cash and investments. It has earmarked funds (Strategic Cash and Investments) of some CHF 219.7 million (2021: CHF 237.2 million) for its accumulated employee benefit liabilities, most notably to provide after-service health insurance to former staff members which currently total CHF 468.6 million. We have further explored the Organization's post-employment benefits later in the report. By funding a proportion of these liabilities, WIPO minimises long-term risks to Member States in having to fund these liabilities through assessed contributions if revenues fall.

1.8 As explored more in WIPO's Financial Report, alongside the cash and investments, the financial statements report property, plant and equipment and intangible assets totalling CHF 371.1 million (2021: CHF 375.4 million) which are held predominantly at their historic cost. WIPO has retained reserves of CHF 560.0 million which include the special project reserves of CHF 31.4 million which we have previously reported on.

1.9 Overall, due to WIPO's cash generating business model it has made substantial investments in its property estate and holds significant retained reserves which are more than sufficient to meet its total liabilities. We reported last year that it was important that as WIPO keeps the utilisation of these significant assets under review to seek opportunities to best utilise its estate, and we comment further on this in Part 2.

2022 Program of Work and Budget performance

1.10 The Program of Work and Budget for WIPO is prepared each biennium on a modified accrual basis. As this is the first year of the biennium, Statement V presents a comparison of the budget and actual amounts for 2022 as set out as the annual budget in Annex VIII of the Program of Work and Budget 2022/23. A reconciliation of the 2022 budget performance to the revenue and expenditure figures reported in the performance statement is presented in Note 16 to the financial statements.

1.11 The original budget for the biennium 2022-2023 was approved by the General Assembly with allocations for revenue and expenditure for 2022 of CHF 467.9 million and CHF 395.6 million respectively¹. This provided for a budgeted surplus of CHF 72.3 million. Budget revisions led to a final forecast budget surplus of CHF 104.4 million.

Figure 2: Outturn against budgets (CHF Millions)

	2022	2021	2020	2019	2018
Revenue¹					
Original budget	467,926	448,839	433,930	421,335	408,309
Outturn	491,946	473,168	462,937	447,148	420,625
Variance	24,020	24,329	29,007	25,813	12,316
Expenses¹					
Original budget	395,661	387,280	381,122	366,408	359,446
Outturn	356,971	348,137	327,881	366,939	339,436
Variance	38,690	39,143	53,241	- 531	20,010
Planned surplus	72,265	61,559	52,808	54,927	48,863
Actual surplus	134,975	125,031	135,056	80,209	81,189
% of revenue	27%	26%	29%	18%	19%

¹ Program of Work and Budget for 2022/23 – Annex VIII

**Investment
“return”**

Budget	Nil	-844	-844	23	23
Actual	-88,055	22,713	33,429	42,102	-6,030

NOTES

1. Excludes investment revenues/gains and losses

Source: WIPO financial statements

1.12 During 2022, WIPO earned revenue of CHF 492.0 million and incurred expenditure on the budget basis of CHF 357.0 million, resulting in a real budget surplus of CHF 135.0 million, or 27 per cent of revenues earned (Figure 2). The scale of budget surplus is unusual for a “not for profit” organisation. The unrealised losses on investments reduced this surplus to CHF 46.9 million. This budgeting surplus compares with a surplus presented on an IPSAS basis of CHF 7.7 million. A reconciliation between the IPSAS and budget surplus is presented in note 16 of the financial statements and, as in previous years, is predominantly due to depreciation, the movements in the employee benefit liabilities and the expenditure on the projects funded from reserves. WIPO present explanations for changes between the original and final budget, and material variances within the WIPO Performance Report 2022².

1.13 Our 2021 audit considered how WIPO’s Statistics Division derive their revenue forecasts and how this information is used to inform the variable costs related to application examination processes, such as translation services. We noted many of WIPO’s costs are fixed by their nature and influenced by inflationary factors such as those imposed by the International Civil Service Commission. We highlighted WIPO’s prudence in its financial planning, which minimises the risk to Member States, but has led to the continuing increase in retained reserves.

1.14 Note 21 to the financial statements, provides a view of the financial performance by each Union. This continues to demonstrate how reliant the Organization is on the PCT and Madrid Unions which, especially the PCT, compensate for the continuing deficits reported by the Hague and Lisbon Unions of CHF 10.3 million (2021: CHF 12.6 million) and CHF 1.5 million (2021: CHF 2.2 million) respectively. Following a decision at the 59th Series of Meetings in 2019, the PCT Union has assumed the financing of these deficits. The total accumulated deficits, reported as negative net assets, in the Hague and Lisbon Unions were CHF 85.5 million and CHF 8.5 million respectively. In 2022 the level of fee revenue for Hague was CHF 7.2 million (2021: CHF 6.2 million) and Lisbon CHF 3,000 (2021: CHF 71,000); it is unlikely that these Unions will be able to address their cumulative deficits.

1.15 WIPO has informed us that Member States regularly debate the fees for the Global IP systems in the respective Working Groups, nevertheless, we consider it important to formally assess the collective rates given the consistent over-recovery of costs.

² Document WO/PBC/35/3

WIPO should:

R1: Consider whether the fees for the Unions are set at the appropriate rates to recover costs and determine whether the sustained levels of surplus remain aligned with Member State's intention.

1.16 We note over the past five years that WIPO has changed how it presents its investment activity in the Program Budget. For the 2018/2019 biennium, WIPO included investment revenue as a line in its revenue budget. From the 2020/2021 biennium, investment gains and losses are reported under the expense budget before determining the overall budgetary surplus. Given the volatile nature of investments, WIPO should consider whether these transactions should be excluded from the budget reporting as these cannot be directly controlled by management. We would encourage separate reporting of investment return against WIPO's benchmark rate within the financial report and financial statements to enable Member States to understand the investment performance.

Employee benefits

1.17 In 2022, total personnel expenses reported in the financial statements were CHF 249.6 million (2021: CHF 244.6 million), these represent 62.0 per cent (2021: 62.9 per cent) of all expenses during the period. WIPO's Staff Regulations set out the conditions of service and the basic rights, duties, and obligations of WIPO staff. This includes the salaries and related allowances and the social security benefits, including access to the UN Joint Staff Pension Fund and After-Service Health Insurance.

Post-employment benefits

1.18 WIPO's most significant liabilities are its employee benefits. As set out in Note 9 to the financial statements, the most significant are the staff member's after-service health insurance (ASHI), their repatriation entitlements and accumulated leave liabilities. During 2022, the overall liability for these staff benefits has decreased to CHF 504.9 million (2021: CHF 615.8 million). Since 2014 WIPO has maintained a separate account for the funds it has allocated for the future financing of after-service employee benefit liabilities (including ASHI, repatriation grant and travel, and long-term accumulated annual leave). These funds have primarily been generated by the Program of Work and Budget charge applied to the cost of posts, and these strategic cash and investments total CHF 219.7 million (2021: CHF 237.2 million), leaving an unfunded liability of CHF 285.2 million (2021: CHF 378.6 million).

1.19 The after-service health insurance liabilities totalling CHF 468.6 million (2021: CHF 573.7 million) are calculated by an independent actuary based on underlying data and assumptions. They reflect the value of the contractual obligations to staff and retirees, on 31 December 2022, for their underlying claims expected in the future. The year-on-year movement arises from changes in the actuarial assumptions including those relating to medical claims costs. As part of this year's valuation the actuary has further refined the model for calculating the claims costs of the members.

1.20 The most significant factors that have impacted the valuation of the liability are the actuarial assumptions, which decreased the liability by CHF 143.8 million (**Figure 3**). These comprise:

- CHF 195.2 million gain on **financial assumption** changes. These cover updates to assumptions such as discount rates, inflation and medical trends. The gains here related primarily to the discount rate increasing from 0.5 per cent to 2.5 per cent which significantly reduces the overall liability. This “gain” was partially offset by increased healthcare inflation rates.
- CHF 55.2 million loss on **demographic assumption** changes. These cover updates to assumptions such as turnover, mortality and disability, retirement and age-related adjustments to medical cost claims. The loss related significantly to inflating the expected claims costs as outlined below.
- CHF 3.7 million gain on **experience** changes. These cover adjustments required due to the difference between assumptions made and actual results.

Figure 3: Evolution of ASHI defined benefit obligation

	2022	2021
Defined benefit obligation 1 January	573,723	452,755
Interest cost	2,852	1,351
Current service cost	40,211	36,154
Contribution paid	-4,348	-4,017
Actuarial assumption changes	-143,804	87,480
Defined benefit obligation 31 December	468,634	573,723

Source: WIPO financial statements

1.21 In 2021, WIPO’s actuary analysed claims from the plan provider arising over the period 2017-2020 to develop a profile of the expected claims costs at different age ranges. We agreed that this approach, looking over a four-year period of recent claims data, was valid and a reasonable basis to assess future claims costs. During 2022, WIPO has increased these assumptions by 9.2 per cent which reflects the average increase in per capita claims cost between 2021 and 2022.

1.22 We challenged this on the basis that the methodology makes no attempt to understand the movement in claims costs year on year, such as determining whether some of the increase could be attributable to a small number of “high cost” individuals. WIPO have defended their approach and they consider it to be a reasonable best estimate. While we believe the approach is simplistic, and could lead to more volatile results than other approaches, it is acceptable and we have suggested that management establish a consistent policy for setting this assumption for future years.

Future impact of the liability

1.23 The value of the Organization's liabilities evolve over time, based on changes in both demographic and other economic factors. As part of the annual valuation performed by the Organization's expert, WIPO receives a projection for the value of liabilities over the following four years, assuming current assumptions remain consistent. WIPO has presented the results of this assessment with the analysis of liabilities in the Annual Financial Report. The forecast highlights that the impact of current assumptions on the liability will result in a projected increase to CHF 584.3 million at 31 December 2026. In determining the overall ASHI liability, the actuarial assessment is calculated as the net present value of future liabilities related to current members after retirement and takes no account of the lower ongoing costs of younger active staff and new joiners.

1.24 In response to our previous recommendation on the growth of this liability and consistent with WIPO's policy on investment, WIPO commissioned an "Asset and Liability Management (ALM) Study". Following this, WIPO submitted a Funding Plan for its After-Service Health Insurance Liabilities to the Thirty-Fourth Session of the Program and Budget Committee (PBC).

1.25 In performing its ALM study, WIPO opted to consider the ASHI liability as an "open group", allowing for new entrants and the subsidy effect that younger staff have on the overall collective medical insurance plan. Such an approach assumes that the resourcing model and the other assumptions behind the subsidy remain constant. Changes in workforce demographics and the delivery model such as contract modalities and the use of outsourcing could have a significant impact on the outcome.

1.26 WIPO has previously aimed to maintain the overall 50 per cent funding level target for its ASHI as agreed with Member States. The program budget includes an eight per cent charge to posts for the biennium and this is frequently supplemented by additional funding at the end of each biennium when WIPO is underspending. At the time of the study, the revised projections on the open group basis indicated that WIPO could maintain the eight per cent charge in the Program Budget and this would achieve a funding ratio of approximately 80 per cent over a 20-year time horizon. Costs and assumptions have changed since this latest study was performed, but opportunities to control costs will always serve as the best mitigation to future risk.

1.27 The WIPO Collective Staff Insurance Management Committee comprising staff and retiree representatives, together with members of WIPO administration, is responsible for supervising the operation and financial situation of the collective staff insurance schemes. The Committee works to help keep health benefit costs under control and their primary consideration was maintaining a health plan offering coverage in line with the guidance of the host country while mitigating the associated medical costs. We will consider further cost containment measures considered by the Committee in next year's audit.

UN Joint Staff Pension Fund

1.28 WIPO is affiliated as a member organisation to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. However, as the pension scheme cannot accurately determine a reliable estimate of the corresponding risk borne by each participating organisation no actuarial liabilities for the pension scheme appear in WIPO's financial statements.

1.29 The characteristics of the UN pension scheme are outlined in Note 9 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2021, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations. Should this situation change in the future, deficiency payments would be required from WIPO. This situation represents a potential future financial risk to the Organization which needs to be tracked and managed.

WIPO's Annual Financial Report

1.30 We have noted previously that WIPO's Annual Financial Report contains a more detailed financial commentary to accompany its financial statements than many other entities. It separately presents its performance against objectives in the performance report and there is limited detail to align the reporting of financial results with the key outcomes of the Organization. As previously discussed, there is scope for these to be combined in a single annual report, or for a summary of key performance metrics to be included, and we would encourage the Secretariat to consider this.

Part Two

Governance and internal control

2.1 The Director General is responsible for ensuring effective financial administration of the Organization in accordance with the Financial Regulations. The Director General has established, and maintains, systems of internal control and delegation which are important in providing a framework of assurance for Member States to rely upon. WIPO continues to be proactive in its development of the internal control environment and the Statement on Internal Control provides a good overview of the three lines of defence that the Director General relies upon to demonstrate the effectiveness of the internal control environment.

Internal control

2.2 WIPO operates a sound internal control environment. In common with the previous four years of our mandate, our audit has not identified any significant control weaknesses, nor have any been reported to us through the work of the Internal Oversight Division (IOD). WIPO continues to proactively consider the control environment, and we have noted management's response to a recommendation we made last year and the need to respond to risk areas, where we see additional controls have been identified on security and information assurance.

2.3 Management's ongoing refinement of its processes to review and assure the control environment reflect that patterns of risk will change as operations evolve and adapt. It is important to keep all controls under review, together with the process to underpin their assurance. We have further noted the commitment to review and consider process controls. As we highlighted last year it is important for processes and controls to be efficient in the way they manage risk and affect control. In our report this year we focus on this evolution, including the way in which IOD may further evolve to ensure it provides the services and meets the needs of management and the Member States.

WIPO's control environment

2.4 Last year we noted the introduction of the new Financial Regulations and Rules, which we considered as an important step in aligning the regulations with the evolution of WIPO and to reflect the more modern ways of working. It is our intention to review the operation of these new Regulations next year, and to reflect on management's post implementation review. As part of the continued commitment to ensuring the relevance of the control environment, management has embraced the principles we outlined in our report last year, to focus compliance and assurance effort on those controls which were of greatest significance to the Organization.

2.5 We have noted that management have adapted their approach to the review of the control environment, downgrading some key controls and elevating others of greater

relevance and prominence to the risks deemed relevant to 2022. As a result of these changes, the overall number of key controls has reduced from 117 to 74, but these are now defined as those, which if they were to fail, could cause a critical risk to occur. Management continues to commit to an annual detailed review of these key controls. We see this as appropriate, as operations and transactions streams change, the importance of the controls in place will evolve accordingly.

2.6 As the Director General has disclosed in the Statement on Internal Control, we support the view that the reduction in the number of identified and assessed controls has better focused attention and resources where the controls have the most meaningful impact on the business. WIPO continues to apply its five-stage maturity model for the assessment of controls. Many controls are assessed at level 3, which is defined as “Deployed and Reliable”. This is sufficient maturity for most of the control environment, but WIPO may wish to assess the extent to which some controls are so critical to its objectives that it may be appropriate to develop a controls ambition beyond reliability alone. WIPO may wish to consider a simplified three-stage model to target the more business critical and material controls for development. We will review further developments in this area during our audit next year.

Data analytics

2.7 Since the start of our mandate, we have advocated the control and efficiency improvements that can be gained by the effective use of data analytics. The concept has been recognised by WIPO which has been progressing its plan to deliver analytic functionality and to incorporate this within its compliance processes. Progress continues to be slow due to the need to resolve the way in which data is accumulated and used and we will review this again next year.

Business process reengineering

Background

2.8 Many of WIPO’s processes have evolved over time from the historical “automation” of a rules based manual process, with many of those checks and controls not addressing identified specific transactional risks. The use of ERP functionality offers opportunities to refine business processes and to fully utilise these to standardise and streamline the most common, high-volume processes to ensure efficiency and to minimise the risk of nonstandard processes leading to errors.

2.9 During 2022, WIPO incurred expenses through its systems of CHF 402.8 million, CHF 249.6 million of which related directly to personnel costs. Much of the residual CHF 153.2 million of expenditure is transacted through the purchase-to-pay (P2P) business process. This is the entire end-to-end process of selecting, ordering, receiving, and paying for goods, services and other expense transactions related to personnel, such as travel claims.

2.10 Within WIPO there are many different variations for the separate sub-processes, for example, while the invoice payment function is often consistent, the underlying P2P process for contractual services differs from the travel process. As part of its work during the year, the Controller’s office reviewed the home leave travel process, and we

explore some lessons from that exercise and how WIPO can enhance productivity, the employee experience and reduce transactional costs.

Home leave travel

2.11 Under WIPO's Staff Regulations, eligible staff members and their family are entitled to travel expenses to visit their home country every two years. Over the past four years (2019-2022), WIPO has paid home leave travel expenses of CHF3.0 million to 490 staff members, this represented 17 per cent of total travel costs and 7 per cent of the total travel transactions. The business process is relatively complex due to the existing rules concerning the entitlement. WIPO's analysis, however, is that the transaction risk is relatively low and the average transaction value, to most staff, when compared to their total reward package, is not that significant. The Staff Regulations and Rules allow for staff members to take a "lump sum" option, which means the main condition on the current rules are that they spend a "reasonable time" at the place of home leave, this is currently set at seven days.

2.12 WIPO's analysis demonstrated that the existing business process, with no deviations, resulted in 12 human or system steps with only one automated process, the remainder being manual interactions including three by the traveller and numerous approval steps. As soon as something changes in the request, such as travel dates, the number of interventions significantly increase. WIPO identified two preliminary options for either, enhancing the existing business process to be more efficient and effective, or to change the basis for this entitlement to simplify the process. While decisions on how to develop the business process are for WIPO, the review highlights that some significant process improvements can be made to existing systems. We support this type of analysis to review processes, since they can drive cost efficiencies and the opportunity to focus effort in higher risk areas where business processes, by their nature, may validly require more interventions.

Enhancing procurement processes

2.13 WIPO's review of the home leave travel process identified disproportionate process effort and workflow for relatively low risk and low value transactions. WIPO should identify which other P2P sub-processes would benefit from a similar review, focusing on those processes where it can:

- **standardise:** make the process as repeatable as possible and ensuring that the process "as is" matches the process "as designed";
- **streamline:** removing redundant or unnecessary activities from the process;
- **optimise:** reengineering the process to produce more value; and
- **automate:** removing aspects of the process that require human efforts – given that human capital is WIPO's biggest expenses, any way to reduce effort within a process workflow is going to be an opportunity.

2.14 WIPO is likely to evolve its enterprise resource planning system at some future point to a "cloud" environment. Work on designing revised "to be" business processes

should focus on the use of standard “vanilla” processes, retaining legacy rules only where they are considered to address real and material risks to WIPO. The evolution in business processes should also inform the approach to data analytics as discussed earlier in the report as a more granular understanding of the risks in each business process would enable the development of targeted analytics to highlight exceptions.

2.15 Developing the P2P business process is an important step in reviewing how WIPO currently performs its transactional services. A similar approach should be followed for other important processes such as “hire-to-retain”, where the existing approach is predicated on detailed staff rules and therefore likely to be process and is transaction heavy. Modern streamlined processes would also enable WIPO to explore other service delivery models more readily, such as outsourcing, partnering and the relocation of transactional services to lower cost locations. This could drive further efficiencies and cost savings.

Risk management

2.16 As part of our audit, we reviewed the minutes of the Risk Management Group chaired by the Director General. In March 2023, the RMG began a process of challenging and scrutinising Sector risks as we recommended in our previous report. These discussions provided useful feedback to consider the rating of risks, and to how the assessment might evolve. There was clear evidence that risks were being reviewed in the context of the agreed risk appetite levels. Overall, we are of the view that risk management is further embedding within management decision making. There are further developments in training and guidance planned for 2023. Together with the impact of the risk appetite statement, WIPO considers it is “on track” to move from being risk “established” (level 3) to risk “advanced” (level 4) against the UN’s HLCM Reference Maturity Model criteria by the end of 2023.

2.17 New and emerging risks were evidenced as a focus for the RMG, we noted the emerging risk, designated as ‘critical’ in respect of the decline in asset values due to market instability and the risks which emerged because of threats to the Swiss banking systems. This provides a good example of WIPO documenting its consideration of new and emerging risks and how they are being subject to senior management review.

Ethics

2.18 WIPO is committed to the highest standards of conduct, efficiency, competence and integrity. It strives to ensure a working environment characterised by professional ethics. WIPO’s Ethics Office serves all personnel, offering independent, impartial and confidential services and advice. It provides guidance to think through ethical dilemmas and encourages a “speak-up” culture, without fear of retaliation. The Ethics Office has six broad areas of responsibility.

- Confidential advice and guidance: providing confidential advice and guidance personnel on situations raising ethical issues and dilemmas, and conflicts of interest matters;
- Annual financial disclosure program: managing and implementing the Organization’s Financial Disclosure and Declaration of Interests Policy (FDDI);

- Standard setting and policy advocacy: continuously refines ethics policies and issues interpretative guidance to ensure proper understanding and compliance with ethical standards at WIPO;
- Ethics awareness and education: develops and manages a training program on issues related to ethical conduct.
- Protection against retaliation: WIPO's policy is to protect against retaliation for all WIPO personnel who cooperate in an oversight activity, or make a report, in good faith, of misconduct; and
- Coordination: participation in the Ethics Network of Multilateral Organization (ENMO) and related activities.

2.19 During our audit, we reviewed the existing policies related to the Ethics function related to: honours and gifts; outside activities; the FDDI programme; and “whistleblower” retaliation. In our discussions, we noted that the Ethics Office was planning to reissue the latter two policies following internal review. The revised FDDI Policy would be published ahead of the May 2023 launch of the annual exercise. The new policy focus includes clarifying filing obligations and detailed guidance on reportable items, it also introduces a new process for eligible new recruits to file declarations upon appointment. The revised policy also clarifies the responsibilities of HR to support the Ethics Office and articulates how matters can be escalated when needed.

2.20 In our review of the policies, we were content overall that they contained the key elements expected in these areas. We did note that there were no references to the risks which arise from the very specific nature of WIPO's operations, namely ethical issues arising from potential or perceived intellectual property conflicts. Given WIPO's priorities to safeguard intellectual property this was surprising.

2.21 WIPO highlighted that the Staff Regulations do not permit staff to engage with external organisations “whose primary business is to deal with the management of IP rights”. WIPO informed us that its legal team consider that provisions on prevention of conflicts of interests are drafted in sufficiently general terms that they cover as many situations of conflicts as possible, including those involving IP issues. Given the importance of the protection of IP rights, WIPO should consider giving more explicit ethical guidance and review the adequacy and extent of current disclosures of staff members engaged in activities where they are exposed to sensitive information. This should be extended to cover the spouses and close family members of staff.

2.22 WIPO's FDDI policy aims to identify and help resolve actual, perceived or potential conflicts of interest in a secure and controlled environment. Such policies are common across the UN system; however, we noted that WIPO's application of these policies does not fully extend to spouses and close family members. The current policy only requires reporting if assets and transactions are jointly held and/or authorised. WIPO uses a third-party to administer this programme.

2.23 WIPO's Ethics function has recently increased its outreach and training activities. The Ethics Office mandatory training has been revised from the previous version to

highlight new ethical challenges that are presented by the Organization's current operating realities and include leadership messages by the DG on the importance of ethics at WIPO. Since its launch, all personnel regardless of when they joined the Organization, have been required to perform the training and the compliance rate has increased to 97 per cent at 31 March 2023. This is a significant increase from the 25 per cent rate registered on the previous mandatory training. While it is valid for three years, we consider annual mandatory training in this area to be best practice.

2.24 We have noted that during 2022 the Ethics Office workload has increased. In 2022, the Ethics Office reported it received 155 requests, compared to 28 in 2018, 55 matters in 2019, 50 in 2020, and 53 in 2021. Some of the increase in workload related to assessing potential conflicts of interests of WIPO personnel related to outside activities and the Ethics Office attribute the increase in activity as a function of its outreach and training.

2.25 Senior management have given a significant commitment to ethical behaviour that has established an important tone. As the Ethics Office faces increased levels of activity it will be importance to prioritise and assess those areas of potential conflict that could create significant reputation or financial consequences for WIPO. The real risk is the absence of declared conflicts, which WIPO cannot control.

WIPO should:

R2: consider the extension of its current conflicts programme to include spouses and close family members.

R3: consider the need for ethical guidance on IP related conflicts and how these are reflected in the existing conflicts disclosure programme.

Internal Oversight Division (IOD)

2.26 IOD's 2022 annual workplan identified a range of activity areas to cover in 2023. It was developed following IOD's review of the corporate risk registers, the Risk Management Group reports and consultation with key stakeholders, including Senior Management and Member States. The plan identified 12 engagements and activities covering internal audit, evaluation and "consultancy services". We routinely review the IOD's report and had particular interest in three planned in 2022: the combined audit and evaluation of the Patent Cooperation Treaty (PCT) Services; the continuous auditing using data analytics; and "cybersecurity" penetration testing.

2.27 On the PCT report, we were particularly surprised at the high level of reported sickness absence in the division. IOD reports that the total workforce consisted of 178 staff members with an average number of 29 certified sick leave days per person per annum. In our 2018 report, we had recommended the need to improve the management of staff absences and in our follow-up last year, we highlighted the need to revisit and strengthen monitoring of the sick leave parameters and benchmarking levels of sickness absence with other appropriate entities. This finding of IOD reinforces the need for WIPO to take more action here and consider how it might facilitate staff in returning to work after absences, where this is appropriate.

2.28 IOD's continuous auditing examined transactions in the Procurement and Travel Division (PTD), for adequacy and effectiveness of internal controls. The intention of this work is to support management in their compliance activities and support IOD's future objective of providing an overall assurance on the statement on internal controls, by expanding the scope of assurance work. IOD identified six theoretical risks to WIPO including non-compliance with procurement thresholds and risks from having duplicated vendor records. The resulting analysis identified some potential data quality and housekeeping for WIPO management. It is unclear however, how these risks tested by IOD address identified WIPO key controls. By mid-April 2023, at the date of writing our report, IOD had not finalised and issued its report on penetration testing. We consider that regular audit of the assurance in respect of Information Security and the assessment of cyber risk is a critical third line assurance activity which would align to WIPO's risk appetite.

2.29 In line with good practice, the position of Director of IOD is term limited and the former Director left in January 2023. The new Director has not yet taken up post, but as highlighted last year, it is important that the Director General considers the future focus of IOD's activities to ensure that it remains focused on the operational risks and key controls, and effectively supports the development of the second line. It needs to do this while also providing a sufficiency of assurance to enable the Director General to have independent and objective assurance about the operation of controls through an annual opinion. More widely, it is an opportune point to consider how IOD's work can best serve the overall assurance needs of WIPO and how these might be best delivered in a cost-effective manner that makes best use of the resources dedicated to this function. We will actively engage with the new Director when they are appointed to share our observations on areas for enhancement.

The Statement on Internal Control

2.30 WIPO has always had a sound approach towards the disclosure and quality of its control environment, which it articulates in the Statement on Internal Control. Overall, we have found the format and presentation of the Statement in 2022 to be the clearest during our tenure. It provides a concise and logical articulation of the control environment, its results and the risks that have been managed during the period. It remains clearly aligned to WIPO's Accountability Framework. The content of the Statement is consistent with the information that has come to our attention during the audit. Member States should continue to take confidence in the processes management have established and the way in which they are reported.

2.31 As we have highlighted, we consider that the Statement will be further enhanced by the quality of evidence to support the Director-General's comments once the more focused controls validation processes have been completed in 2023; when IOD provides its annual audit opinion on controls aligned to the year of the Statement; and when data analytics have been incorporated into a holistic compliance framework. Steps can be taken on each of these areas to make some progress that could feed into strengthening the evidence base for the 2023 Statement, prior to the full delivery of these improvements.

Part Three

Estate's management

3.1 Over the course of our mandate, we have reviewed how WIPO manages its resources, this has including how it reports performance, the management of human resources, the use of reserves and its External Offices. In our report this year, we have considered how WIPO is using and maintaining the considerable resources which have been dedicated as long term assets in the form of the property estate. In delivering its activities WIPO uses six separate buildings, which, including associated land, have a carrying value in the financial statements of WIPO of CHF 343.7 million. We have focused on the strategic management of these resources and the accountability for their use.

Estates strategy

3.2 In common with all of WIPO's resources, it is important that property assets are utilised to best effect in delivering the objectives of the Organization. For any organisation to demonstrate its effective use of property resources it is important to have a clearly articulated estates strategy linked to the Organisation's objectives. This should be supported by a regularly updated operational plan.

3.3 WIPO has detailed multi-year plans to maintain and improve the condition of its buildings. This planning is not undertaken within a framework of a clearly articulated estates strategy, but rather to maintain the quality and utility of the existing buildings. Without an overarching strategy, it is difficult to assess the efficiency and effectiveness of the use of these resources in the delivery of objectives.

3.4 The benefits of an overall strategy would enable WIPO to better demonstrate how it:

- Services the requirements of stakeholders and meets organisational objectives;
- Provides safe and secure premises;
- Provides an effective and quality environment to service the assessed needs of the Organization and its ways of working;
- Creates an environment to facilitate collaborative working and innovation, and which enhances the wellbeing and morale of staff;
- Establishes bases against which the effective use of the estate can be measured;
- Delivers sustainability in the built estate;

- Provides a basis against which the value of future estate investment can be prioritised, measured and evaluated; and
- Demonstrates that the resources dedicated to estates are effectively and efficiently utilised.

3.5 WIPO objectives foster the development of collaboration and innovation, but in our view, the current estate and the ways of working do not reflect modern workplace practices supporting collaborative and flexible working. While conference facilities and public space support more collaboration, the office environment has retained traditional siloed workspaces which do not reflect WIPO's aspirations.

3.6 Any estates strategy should be predicated on organisational need, this is even more important given events related to the pandemic which have given rise to significant changes in working practices and space occupancy. Given their sensitivities, PCT operations are delivered from a separate building with its own discrete security arrangements. Now that PCT staff regularly work outside this environment in their homes, the continued need for full separation should be reassessed, this may provide opportunities for more flexible use of workspace in the context of strategy development. We understand the Secretariat is currently considering this issue.

3.7 The development of a strategy would provide the opportunity to reflect more fundamentally on the need and most efficient use of WIPO buildings. This should also consider the alternatives and the approach to regional offices for the delivery of services. While the focus of an estates strategy for WIPO would invariably be focused on the existing headquarters presence, any strategy should also include External Offices. The strategy should also consider WIPO's obligation as an international organisation to clearly demonstrate how it will continue to embed environmental sustainability into decision making.

WIPO should:

R4 perform a detailed study of current space utilisation to inform an overall master property strategy for the needs at headquarters and External Offices.

R5: following a consideration of its needs, develop an overarching Estates Strategy to demonstrate how the estate will support the delivery of efficient and effective services.

3.8 We understand that WIPO is planning to review the principles of space utilisation on its campus using an external provider. This will include researching best practice and assessing the appropriate balance between on-site work and remote work.

Capital Master Plan

3.9 In our 2020 report, we considered WIPO's policy on reserves and how special projects were funded under the Capital Master Plan (CMP). This is the mechanism that provides Member State control over WIPO's capital investment decisions. Following our recommendations, the Secretariat continues to enhance the CMP process and the visibility of this to Member States. Under the CMP, it is foreseen that there will be some

significant investment in the existing buildings in the short term. In 2017, the PBC was provided with analysis of all anticipated projects affecting premises, safety and security for a 10 years period (2018-2027). This was revised in 2019, where it was anticipated future expenditure on building related projects would be CHF 52.3 million. This includes major refurbishment of the Arpad Bogsch (AB) building. WIPO has informed us that these initial estimates did not cover all components for the refurbishment that they are now aware need attention. Once the full scope has been defined, it will be presented to Member States with appropriate analysis and timetables.

3.10 Prior to the overall assessment of need and the development of a comprehensive strategy, WIPO should reflect carefully before commitment to substantial investment in its existing infrastructure.

Sustainability reporting

3.11 Across the UN there is focus on how the wider system demonstrates it is responding to the sustainability agenda and setting an example for others. As both a supreme audit institution, and a member of the UN Panel of External Auditors we actively encourage our audited entities to adopt good practice in being accountable for reporting environmental performance. WIPO has enhanced its Financial Report to highlight aspects of its Environmental, Social and Governance initiatives. It incorporates narrative demonstrating the actions WIPO is taking and its commitment to the sustainability agenda. WIPO has a positive story to tell, but it is important that this is positioned within a framework that sets challenging aspirations and provides accountability for the resources consumed year on year. Such disclosures are generally contained within an organisation's annual report.

3.12 In response to the UN Panel of External Auditors stressing the importance of this reporting, the UN Secretary General in his capacity as Chair of the Chief Executive's Board drew attention to the 2020 Quadrennial Comprehensive Policy Review (QCPR). The QCPR has integrated environmental and social safeguards and standards in programmes, as well as environmental performance indicators, such as greenhouse gas emissions, waste, water consumption, percentages of renewables and more. Individual entities are responsible for setting targets and indicators and reporting on achievement via the "Greening the Blue" reporting mechanisms.

3.13 WIPO fully participates in this initiative, most recently in the [Greening the Blue Report 2022](#). WIPO has also published sustainability performance details on its website and in other documentation. During 2022, it has further reinforced its commitment in this area through the new High-Level Policy on Environmental Responsibility. WIPO is further developing its data capture systems in these areas which will better facilitate timely reporting through an Environmental Management System (EMS). This will provide scope for more timely and concise reporting of these and other sustainability metrics. Such reporting could significantly enhance the current narrative disclosures in the Annual Financial Report.

3.14 There is no internationally recognised public sector reporting framework for sustainability or reporting on environmental, social and governance issues. In the

absence of this, some good guidance is available from the independent Task Force on Climate-Related Financial Disclosures³. This provides a framework for reporting on:

- **Governance:** the organisation's governance around climate-related risks and opportunities;
- **Strategy:** the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning;
- **Risk Management:** the processes used by the organisation to identify, assess, and manage climate-related risks; and
- **Metrics and Targets:** the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

3.15 As WIPO develops its EMS, it should ensure that the system captures data for disclosures that are relevant, specific and complete, clear, balanced, and understandable. Reporting will need to be consistently compiled and sufficiently reliable and measurable to permit the information to be verified and assured. Reporting on sustainability metrics is important not just for accountability, but also to inform decision making and for management of sustainability risks. Given WIPO's commitment to supporting sustainable innovation, we believe taking these reporting steps will give better visibility to WIPO's own approach and commitment to the sustainability agenda. WIPO informed us that it would wait until the IPSAS Board had finalised its project and issued a standard on Sustainability Reporting. With the information collated and its commitment to sustainability, we believe it could report valuable sustainability metrics to indicate its performance in the interim.

WIPO should:

R6: include a balanced scorecard of sustainability metrics and performance in the annual report.

³ [FINAL-2017-TCFD-Report-11052018.pdf \(bbhub.io\)](#)

Part Four

Other matters for the Governing Bodies

4.1 Under the Terms of reference for the External Audit, the Director General is required to report to us on any ex-gratia payments made or cases of proven fraud made or identified during 2022. There were no cases of ex-gratia payments reported to us. We identified no instances of fraud during our audit work, and no cases of fraud or write-offs related to fraudulent activity were reported to us by the Director General.

Prior recommendations

4.2 In this section we summarise the Organization's progress in implementing past recommendations. Appendix One provides a more detailed review of progress for each prior years' recommendation based on data held in WIPO's TeamCentral as of April 2023. It is the responsibility of management to consider the implementation, tracking and reporting on progress against our recommendations. In our reporting we provide our assessment of the effectiveness of these arrangements and on the status of their implementation.

4.3 Of the 12 recommendations raised for 2021 and those from earlier years that remained in progress, WIPO has implemented six recommendations, we have closed a further recommendation due to it being superseded. Five recommendations remain open or are in progress.

Acknowledgments

4.4 We would like to thank the Director General and his staff for their co-operation in facilitating our audit engagement.

[signed] Gareth Davies

Comptroller and Auditor General, United Kingdom - External Auditor

17 May 2023

Appendix One

Follow-up of prior year recommendations

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
2017 (WO/PBC/28/4) R#9	Review the existing fees structure with a view to making the Madrid Union self-sustaining, after carefully weighing its impact on the accession of new members and on the usage of Madrid System.	<p>WIPO Management accepted the Recommendation and stated that the review of the fee structure of the Madrid System is a topic for work in the mid-term as per the revised Road Map for the Working Group on the Legal Developments of the Madrid Union. Part of the Road Map for the Madrid Working Group.</p> <p>The recommendation revised due date has been set to 31 December 2023.</p>	<p>We continue to note the cumulative deficits in the Lisbon and Hague Unions in this year's report.</p> <p>More generally, we have commented on WIPO's fee revenues in this report and have therefore superseded this recommendation.</p>	<p>Superseded</p> <p>Closed.</p>
2019 (WO/PBC/31/3) R#4	<p>Consider measures to enhance the activity reports and plans produced by external offices by:</p> <ul style="list-style-type: none"> ensuring these follow closely the activities agreed in Program and Budget work plans, enabling a clearer 	<p>The Secretariat has developed a concise template by which the External Offices are to report their progress towards mandate implementation on a quarterly basis. This template was developed in consultation with the seven External Offices and with the guidance and advice of the Program Performance and Budget Division. You will note that the template closely follows the Results Framework as</p>	<p>We note management's response and have seen the reports for September 2022.</p>	<p>Implemented</p> <p>Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
	<p>assessment of external office progress.</p> <ul style="list-style-type: none"> • adopting a 'plan on page' discipline to these reports recording key metrics, activities and engagements and key next steps in line with the agreed work plan. • reviewing the frequency of the formal reporting of external office activities, if supplemented by other more regular communications. 	<p>contained in the Program of Work and Budget.</p> <p>The seven External Offices have been informed that the first report from them under this new template is due at the end of September 2022 (for the third quarter of 2022) – please refer to attached email.</p>		
<p>2019 (WO/PBC/31/3) R#6</p>	<p>Alongside existing indicators and measures, consider establishing specific result areas and performance indicators relevant to each external office, reflecting the unique circumstances of their implementation</p>	<p>The Secretariat took the recommendation into account in the preparation of the Program of Work and Budget 2022/2023. Please note that the External Offices have bespoke Results Frameworks, including baselines and targets (please refer to the attached document containing the Results Frameworks for each individual Office). Please also note that the Results Framework of the Organization,</p>	<p>We note management's response and have seen the reports for September 2022.</p>	<p>Implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
	<p>priorities and the local context.</p>	<p>including the External Offices, was streamlined in the Program of Work and Budget 2022/2023 compared to previous biennia. In the context of these developments, the Secretariat considers that the recommendation has been implemented and would request your consideration to close this recommendation.</p>		
<p>2019 (WO/PBC/31/ 3) R#7</p>	<p>Consider regular independent surveys of host country stakeholders to measure their views on the contributions from the external offices, to identify trends and movements and to ensure they remain relevant and focused on WIPO core objectives.</p>	<p>The Secretariat notes that this recommendation intersects with the ongoing discussions among Member States concerning the Terms of Reference of the evaluation of the WIPO External Offices. In particular, the issue of who to consult for this evaluation, who would undertake the consultation, and for which period, was discussed at the 34th Session of the Program and Budget Committee, including in lengthy informal sessions. There was no consensus among Member States on this matter. In view of the fact that the issue of surveys of stakeholders is before Member States as part of the sensitive discussions on the Terms of Reference of the evaluation, the Secretariat would request your consideration to close this recommendation owing to changed</p>	<p>We note the Secretariat's response. On this basis that this is being considered by Member States alongside the other issues related to External Offices, we are closing this recommendation.</p>	<p>Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
		<p>circumstances. The relevant excerpt from the Report of the 34th Session of the Program and Budget Committee is attached for your ease of reference.</p>		
<p>2020 (WO/PBC/33/5) R#2</p>	<p>WIPO should: a) in consultation with Member States, establish a target level of earmarked funds for its ASHI liabilities; b) consider the risks and benefits of formally designating earmarked ASHI investments as plan assets to enhance transparency over the net liability; c) consider and engage with Member States on the options for mitigating the potential future growth in ASHI liabilities.</p>	<p>At the 34th session of the PBC, WIPO presented an Asset and Liability Management study which was discussed and resulted in the following decision from the PBC: The Program and Budget Committee (PBC) recommend to the Assemblies of WIPO, each as far as it is concerned to</p> <p>(i) approve the funding proposal for long-term employee benefits outlined in document WO/PBC/34/14, namely to have an annual charge up to 10 per cent of personnel costs starting from the biennium 2024/25;</p> <p>(ii) take note of the risks and benefits of formally designating ASHI investments as dedicated plan assets and request the Secretariat to undertake a more detailed study on how a separate entity could be established in order to formally designate earmarked ASHI investments as plan assets and present the findings to the 35th session of the PBC; and</p>	<p>We note the Secretariat's response and the position taken by the PBC. In light of Member States engagement on the issue, we consider the recommendation closed.</p>	<p>Implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
		<p>(iii) take note of the ongoing efforts of the WIPO Collective Staff Insurance Management Committee to contain the growth of actual medical costs and thus the growth of the ASHI liability.</p> <p>Further to this decision, WIPO will be presenting to the Member States in PBC 36, the results of a formal study to comply with the decision of the PBC after there was consideration of the risks and benefits of formally designating ASHI investments as dedicated plan assets. The item is on the Agenda of the PBC.</p> <p>In this regard the consultation with Member States through the PBC and subsequent endorsement by the General Assembly of the PBC decisions has resulted in the implementation of parts (a), (b) and (c) of the recommendation as noted in the decision above.</p>		
2020 (WO/PBC/33/5) R#3	WIPO should accelerate the timetable for IOD to provide an annual opinion over WIPO's governance, risk management and control environment to provide Member States	IOD has developed a roadmap to provide an overall opinion on Risk Management and Internal Controls, to include completion of interim tasks for establishing a fully functional data analytics and continuous auditing activity, increased collaboration with	While recognising changes in IOD, we continue to believe that the timetable has lacked ambition.	Not implemented.

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
	<p>with additional assurance over these key areas of oversight and support the Director General in preparing his Statement on Internal Control.</p>	<p>second line functions, and augmenting staff skillsets through the use of a data scientist and IT auditor. The Roadmap is designed to provide the first overall opinion in 2025 for the annual period ended as at December 31, 2024.</p> <p>The recommendation revised due date has been set to 31 December 2025.</p>		
<p>2020 (WO/PBC/33/5) R#4</p>	<p>WIPO should conduct a comprehensive and systematic assessment of the lessons learned from its deployment of preparedness plans in response to the pandemic to inform the development of business continuity procedures.</p>	<p>Lessons learned through IOD's assessment of the Organization's Covid-19 pandemic response have been documented, and plans are in place for those lessons that are actioned.</p> <p>Each functional business plan, as it is completed, is now being embedded within it actions, gaps and exercises that reflect lessons learned from the Covid-19 crisis response, and its implications on business continuity. This recommendation should have been closed end 2022.</p>	<p>WIPO informed us that 64 per cent of business continuity plans have been comprehensively updated across the Organization, with a priority given to the most critical areas, such as PCT, and Safety and Security. All plans should be completed by the end of this year. IOD has also undertaken a review of Crisis Management during the Pandemic.</p> <p>We have closed this recommendation on this basis.</p>	<p>Implemented. Closed.</p>

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
2020 (WO/PBC/33/5) R#5	WIPO should consider mapping the individual projects against WIPO's core objectives and ranking them to enable Member States to better understand the priority areas for investment.	<p>As regards the ranking of projects, the recommendation is accepted and will be addressed in future CMP cycles.</p> <p>To be incorporated in the CMP proposal, which will be presented to the PBC in 2024 (this is due to not there being a CMP proposal envisaged for the 2023 PBC).</p> <p>Implementation date: 30 June 2024</p>	We note the Secretariat's response and the future implementation date for this recommendation.	In progress
2020 (WO/PBC/33/5) R#7	WIPO, in consultation with Member States, should reconsider the criteria for the Special Project investments to keep focus on their special and significant nature and make budget provision for wider generic renewal investments and smaller initiatives through the normal budgeting process.	<p>The recommendation is accepted and will be implemented in future CMP and biennial budget cycles.</p> <p>To be incorporated in the CMP proposal, which will be presented to the PBC in 2024 (this is due to not there being a CMP proposal envisaged for 2023).</p> <p>Implementation date: 30 June 2024</p>	We note the Secretariat's response and the future implementation date for this recommendation.	In progress.
2021 #1	a) review its approach to documenting, assessing and validating process level controls to focus on those key controls of	<p>The recommendation is accepted and will be implemented in 2022 and 2023. The Secretariat has commenced a review of process level controls with a view to rationalizing the level of</p>	We note the Secretariat's response and have commented on actions taken in this year's report. We will continue	In progress

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
	<p>most significance and materiality to the Organization; and</p> <p>b) assess the completeness of the process level control analysis and develop a roadmap to ensure all significant management and administrative processes are documented.</p>	<p>granularity and in order to identify key controls. A future approach will be developed to validate key controls on a more frequent basis than non-key controls. A roadmap will be prepared to include any other relevant processes to ensure comprehensive analysis.</p> <p>a) Commencing with the 2022 control assessment with planned completion during the 2023 control assessment, OC will collaborate with control owners to ensure each documented control is of sufficient importance, while also reviewing controls to identify truly 'key' controls.</p> <p>b) during 2023, and update to the Risk and Internal Controls management manual is planned, which will include any updates to the process level control analysis. Additionally, a roadmap will be developed to ensure that all significant management and administrative processes are documented.</p> <p>OC in its coordination function launched the review and streamlining of Controls including the identification of key controls. This will be completed as part of the 2022 Control Assessment. On</p>	<p>to monitor developments in the control environment.</p>	

Previous reference	Summary of recommendation	Administration's comments on status: April 2023	External Auditor's view	Status
		<p>completion of this assessment, a request to close this recommendation will be submitted in March or Early April 2024.</p> <p>Implementation date: 31/12/2023</p>		
2021 #2	<p>Ensure that it develops a holistic approach and strategy to develop and deploy data analytics that serves the needs of all users within the Organization and creates synergies in training and support.</p>	<p>The Data Lake which is a critical path on the analytics are now available as of Q2 2023. Development of prioritized data analytics has commenced with User Acceptance Testing planned for Q3 of 2023 and deployment by end of Q4 2023. Consistent with the strategy outlined for data analytics for internal controls, the WIPO will through the ICT / IA Board ensure a coherent strategy for data analytics organization wide.</p> <p>Implementation date: 31/12/2023</p>	<p>We note the Secretariat's response and have commented on actions taken in this year's report. We will continue to monitor developments in the control environment.</p>	In progress
2021 #3	<p>Consider a review of the standing agenda of the RMG to dedicate consideration to the completeness of risks and quality of mitigations in between the annual assessment process, to ensure the risks remain appropriate and the</p>	<p>Risks and mitigations are discussed during the RMG meetings. These discussions focus primarily on organizational risks. The standing agenda of the RMG has been updated to include an item to consider effectiveness of risk mitigations, including Sector Level risks. Sector Leads and their Sector Risk Focal</p>	<p>We have seen the greater detail in the RMG minutes in respect of the discussion of risks and the extent to which risks exceed the new tolerance levels.</p> <p>We will return to this in our final review of WIPO's risk</p>	Closed

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	mitigations of lesser risks are cost effective	<p>Points are invited to the RMG for this discussion and to be informed on the RMG's views. This will ensure a more systematic coverage of risk mitigations including at the sector level</p> <p>The RMG has already met and discussed the risks that fall above their prescribed risk appetite. The RMG's will continue to discuss periodically the detail of risks and mitigations where the assessment lies above the risk appetite defined for the Expected Result for each risk. We request that this recommendation be assessed for closure as action has been taken by the RMG.</p>	management approach at the end of our mandate, but on the basis of management's commitment close this recommendation.	

MANAGEMENT'S RESPONSES TO THE RECOMMENDATIONS MADE BY THE EXTERNAL AUDITOR

Recommendation no.1

WIPO should:

R1: Consider whether the fees for the Unions are set at the appropriate rates to recover costs and determine whether the sustained levels of surplus remain aligned with Member State's intention.

Response

Fees for the Global IP systems are a matter considered and discussed by Member States on a regular basis in the respective Working Groups. The sustainability of Unions is an ongoing discussion in the PBC and WIPO Assemblies.

Recommendation no.2:

WIPO should:

R2: Consider the extension of its current conflicts programme to include spouses and close family members.

Response

The Secretariat will consider carefully where potential enhancements in scope and coverage may be made, consistent with best practices.

Recommendation no.3:

WIPO should:

R3: Consider the need for ethical guidance on IP related conflicts and how these are reflected in the existing conflicts disclosure programme.

Response

The Secretariat will consider carefully where potential enhancements in scope and coverage may be made, consistent with best practices.

Recommendation no.4:

WIPO should:

R4: Perform a detailed study of current space utilisation to inform an overall master property strategy for the needs at headquarters and External Offices.

Response

The Secretariat accepts this recommendation.

The Secretariat is in the process of engaging an expert whose mandate will be to analyze space utilization at WIPO HQ, including benchmarking of best practices. The analysis is expected to be finalized by the end of 2023 and will form the basis for the implementation of Recommendation 5 below. As far as External Offices are concerned, a dedicated approach for analysis of their respective space utilization remains to be developed.

Recommendation no.5:

WIPO should:

R5: Following a consideration of its needs, develop an overarching Estates Strategy to demonstrate how the estate will support the delivery of efficient and effective services.

Response

The Secretariat accepts this recommendation.

The Secretariat would include the results of the space utilization analysis – covered by recommendation 4 – as one of the components informing its future Estates Strategy.

Recommendation no.6:

WIPO should:

R6: Include a balanced scorecard of sustainability metrics and performance in the annual report.

Response

WIPO has been among the first of the UN System Agencies to introduce content in its Financial Statements on sustainability and will continue to evolve this reporting further. There is currently an ongoing IPSASB project on advancing public sector sustainability reporting, which will consider requirements for disclosure of sustainability-related financial and non-financial information. In addition, in May 2023 the IPSASB issued non-authoritative guidance for reporting on sustainability program information. WIPO is actively monitoring developments at the IPSASB in the area of sustainability. The issue is also being discussed at the Finance and Budget Network Task Force on Accounting Standards to ensure consistent application across the UN System. In this context, WIPO will consider the merits of moving forward now, or waiting until the IPSASB issues a Standard or further guidance on sustainability reporting.