

WIPO Independent Advisory Oversight Committee

Forty-Fourth Session
Geneva, March 27 to 31, 2017

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION

1. The 44th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place from March 27 to 31, 2017. Five new members joined the Committee from the Africa Group, the Asia and Pacific Group, Group of Central Asian, Caucasus and Eastern European Countries (CACEEC), Group of Latin American and Caribbean Countries (GRULAC), and China.

2. Present were Misses Tatiana Vasileva and Maria Vicien-Milburn, Messrs. Gábor Ámon, Mukesh Arya, Egbert Kaltenbach, Othman Sharif, and Zhang Long.

3. In accordance with the Terms of Reference, all members signed a Declaration of Conflict of Interest. No conflict of interest was identified.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

4. The Committee adopted its Agenda, which is attached to this report as Annex I. A list of session documents is attached as Annex II.

AGENDA ITEM 2: MATTERS ARISING FROM PREVIOUS SESSION

5. The IAOC took stock of the actions carried out following the decisions taken at its 43rd and prior sessions.

AGENDA ITEM 3: INDUCTION FOR NEW MEMBERS

6. Through a series of induction briefings, the new members of the Committee were given insights into the Organization. The Chair of the IAOC offered a presentation on the functions and the working modalities of the Committee.

7. The Committee received briefings from the Director General, the Assistant Director General, Administration and Management Sector, the Controller, the Director, Human Resources Management Department (HRMD) and the Director, Internal Oversight Division (IOD).

8. The Committee also met with the Acting Chair of the General Assembly.

AGENDA ITEM 4: INTERNAL OVERSIGHT

Internal Oversight

9. The Committee met with the recently appointed Director, IOD, who assumed office on February 1, 2017, and looks forward to closely working with him in the future.

10. The Committee reviewed IOD's Activity Report as of February 28, 2017, and was pleased that oversight work was progressing as planned, with the audits of Payroll and of the Madrid Registry, as well as the evaluations of Program 12 (International Classifications and Standards Division) and of Corporate Communications currently underway.

11. The Committee welcomed the recent issuance of the revised Investigation Policy and Investigation Manual, which incorporate the amendments to the Internal Oversight Charter adopted by the General Assembly and which reflect the suggestions made earlier by the Committee.

12. The Committee reviewed the proposed revised IOD Report Publication Policy, which operationalizes the decision of the General Assembly that Member States may request access to oversight reports withheld or to the original versions of redacted reports, and that, upon written request, such access may be granted under condition of confidentiality at the Office of IOD. The Director, IOD, will incorporate suggestions made by the Committee and would issue the revised Policy accordingly.

13. With regard to staffing in IOD, the Committee was informed that the recruitment of the new Head, Evaluation Section was well advanced and that the recommended candidate was expected to assume office in July. Furthermore, IOD has initiated the recruitment process for replacing the Auditor, P3, who will be transferring to another UN agency.

14. The Committee learnt that the Head, Internal Audit Section would leave IOD by the end of June in order to assume his new function as Director of Internal Oversight in another UN system organization. The Committee suggested to the Director, IOD, to launch without delay the recruitment process for this key position.

15. The Committee takes this opportunity to acknowledge the excellent cooperation and the high professional quality of work of Mr. Tuncay Efendioglu in his capacity as Acting Director, IOD, for more than 20 months and wishes him success in his new capacity.

Internal Audit Reports

16. The Committee reviewed together with Management and the Director, IOD, the audit reports on Enterprise Risk Management (ERM) and on Project Management, which had been published in their original version. The Committee was pleased to note that considerable progress had been made in establishing a formal ERM process in WIPO and that WIPO ranked among the most risk-aware Organizations in the UN system. With regard to the audit report on Project Management, the Committee took note that WIPO had implemented components of Project Management Framework with a view to establishing a formal Project Management Framework.

17. The Committee discussed with the Director, IOD, approaches for better reflecting risk-based methodology in prioritizing the audit recommendations and suggested that they be presented in line with a risk-based approach.

Evaluation Reports

18. The Committee discussed with Management and the Director, IOD, working methods and approaches to the evaluation assignments and was pleased that the good mix of the risk-based methods used allows comprehensive evaluation of the effectiveness and sustainability of Programs. The Committee encourages direct interaction between Management and the Director, IOD, in initiating and delivering the evaluation assignments.

19. The Committee reviewed together with Management and the Director, IOD, the evaluation report on WIPO Global Databases Division, which had been published in its original version. The Committee was pleased that the content and functionalities of the Global Databases enabled the achievement of WIPO's expected results. The Committee noted the recommendation to further improve the data quality assurance and management processes. The Committee commended Management on the Action Plan which includes clearly defined closing criteria for all recommendations.

Investigations

20. The Committee was briefed on the status of cases under review and discussed with the Director, IOD, general issues regarding procedures for the conduct of investigations.

21. The Committee noted that as of February 28, 2017, there were twelve pending investigation cases with IOD. The Committee reviewed the details of each of the cases and engaged thereafter in an exchange with the Director, IOD, and the Head, Investigation Section.

AGENDA ITEM 5: DRAFT FINANCIAL REPORT AND FINANCIAL STATEMENTS 2016

22. During the session, the Committee was provided with extracts of the unaudited Financial Statements for the financial year ended December 31, 2016, and discussed with Management the financial position and the financial performance.

23. With regard to the financial performance, the Committee noted that revenue totaled 387.7 million Swiss francs, compared to 381.9 million in 2015. Expenses totaled 355.7 million, compared to 348.7 million in 2015. WIPO registered a net surplus of 32 million, compared to 33.3 million in 2015.

24. The most significant source of income was the PCT system fees at 290.71 million (275.39 million in 2015), 75 per cent of the Organization's total revenue. The most significant expense was personnel expenditure at 224.35 million (216.3 million in 2015), 63 per cent of total expenses.

25. With regard to the financial position, total assets at December 31, 2016 amounted to 1,027.2 million, while total liabilities amounted to 715.9 million. Net assets were 311.3 million, a further increase from 2015 (279.1 million). The most significant assets were cash and cash equivalents at 529.8 million (489.5 million in 2015), land and buildings at 375.5 million (380.5 million in 2015). The most significant liabilities were advance receipts at 273.7 million (253.6 million in 2015) and employee benefits at 188.4 million (171.5 million in 2015).

26. The Committee was informed that owing to the introduction of a new accounting standard, IPSAS 39, WIPO will be obliged, in future, to change its accounting methodology for the After Service Health Insurance (ASHI). This change may have a significant effect on the net assets recognized in the Statement of Financial Position.

AGENDA ITEM 6: PROPOSED AMENDMENTS TO FINANCIAL REGULATIONS AND RULES (FRR)

27. The Committee took note that Management considers proposing amendments to the Financial Regulations and Rules, primarily to ensure that the FRRs remain in tune with the development of various elements of the regulatory framework and operational needs. A proposal will be presented to the Program and Budget Committee (PBC) in July 2017.

AGENDA ITEM 7: INTERNATIONAL STANDARDS ON AUDITING 701 "COMMUNICATING KEY AUDIT MATTERS"

28. Due to the issuance of a new International Standard on Auditing (ISA 701) "Communicating Key Audit Matters in the Independent Auditor's Report", the External Auditor sought the IAOC's views on whether the External Auditor should include Key Audit Matters (KAM) in their Short Form Report, and what protocol should be followed for communicating significant audit findings before issuing the audit report.

29. Key Audit Matters, according to ISA 701, are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements. In other words, the auditor shall determine those matters that require significant auditor attention in performing the audit. While the inclusion of Key Audit Matters is mandatory, among others, for companies listed on the stock exchange, it is optional for international organizations.

30. The Committee notes that the Panel of External Auditors of the UN system discussed this matter and decided that its members may consult with Management and those charged with governance (i.e. Governing Bodies and Oversight Committees) of individual organizations, to assess whether Key Audit Matters should be included.

31. The Committee recognized that communicating Key Audit Matters provides additional information to intended users of the financial statements which could assist them in understanding those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements, and also assist them in understanding the organization and areas of significant management judgment in the audited financial statements.

32. The Committee acknowledged that communicating Key Audit Matters would enhance the value of the auditor's report by providing greater transparency about the audit that was performed. It could also provide intended users a basis to further engage with Management and those charged with governance about certain matters that arose during the audit.

33. The Committee shared its views with the External Auditor and encouraged him to apply ISA 701 on a pilot basis and to include Key Audit Matters in their Short Form Report resulting from the audit of financial statements.

34. Member States may wish to consider whether the inclusion of Key Audit Matters in the Short Form Report would provide added value.

AGENDA ITEM 8: UPDATE ON MANDATED REVIEW OF PROCUREMENT POLICIES AND PROCEDURES

35. The Committee reviewed and discussed with Management and the Director, IOD, the proposed amendments to the Financial Regulations and Rules on procurement, including the assessment and suggestions prepared by IOD.

36. The Committee concluded that these amendments would improve the general principles for procurement contained in the Financial Regulations and Rules by strengthening the procurement process.

37. The Committee welcomes in particular the mandatory involvement of the Contracts Review Committee in cases of alternative, i.e. non-competitive procedures and the supplementary documentation required for such procedures. The Committee further supports the emphasis on procurement cooperation with other intergovernmental organizations and clarification of the prerequisites for relying on their procurement.

38. The Committee made suggestions which Management will take into account in their final proposal. In particular, the Committee suggested that Management consider including in the Program Performance Report or in other periodic reports, statistical information on cases where alternative procurement procedures were used, with a view to increasing transparency.

AGENDA ITEM 9: ETHICS

Ethics

39. The Committee reviewed the report on the Audit of WIPO's Ethics Framework which will be published in its original version on April 6, 2017.

40. The Director, IOD, briefed the Committee on the audit findings and recommendations and replied to a series of questions put by the Committee on the results of a survey conducted with WIPO staff during the audit process. The Committee noted, on the basis of the results of the survey, that a strong and independent ethics function remains of vital importance to WIPO.

41. The Committee was pleased that the design and structure of WIPO's Ethic Framework was assessed as adequate and in line with good practices in the UN system, but noted that more efforts are required to enhance implementation of this framework.

42. The Committee considered the timelines for the implementation of the audit recommendations to be quite generous, particularly for those recommendations of high priority. The Committee urged the Chief Ethics Officer to revisit the target dates and be more ambitious in implementing the recommendations.

43. Although it acknowledged that the Ethics Office operated with limited resources, the Committee pointed out that Member States regarded the issuance of the revised policies on Protection against Retaliation and on Financial Disclosure as matters of high priority and it should be achieved earlier than the current target dates of December 2017 and February 2018, respectively. The Committee suggested that the Chief Ethics Officer re-consider the priorities of the Ethics Office with a view to expediting the issuance of the policies. The Chief Ethics Officer undertook to submit a draft of the revised policy on Protection against Retaliation before the Committee's next meeting in July 2017.

44. The Committee took note of the Ethics Office workplan for 2017 dated March 25, 2017. The Committee reviewed the report on the implementation of the workplan for 2016 and noted that many of the projects initiated by the Ethics Office in 2016 were still works in progress, such as the revision of the Terms of Reference of the Ethics Office and the update of the Ethics Office intranet site.

45. The Committee engaged in a discussion with the Director, IOD, and the Chief Ethics Officer on the audit report, the survey conducted and the importance of ethics.

AGENDA ITEM 10: FOLLOW-UP ON GENERAL ASSEMBLY REQUEST (A/56/16. PARA 22(ii))

46. In response to the request made by the General Assembly when adopting the revised Internal Oversight Charter, the Committee prepared proposed amendments to the Staff Regulations and Rules for consideration and adoption by the Coordination Committee.

47. The proposed amendments aim at clarifying what should be the disciplinary process in case of an investigation report substantiating allegations of misconduct against the Director General. According to the proposed amendments, the Coordination Committee would be the competent authority to initiate disciplinary proceedings and propose a disciplinary measure, while the General Assembly would decide on the application of a disciplinary measure.

48. With regard to the disciplinary process in general, the Committee suggests clarifying that disciplinary proceedings should be initiated on the basis of an investigation report, thus ensuring segregation between the investigative and the disciplinary functions. In addition, the Committee suggests considering enlarging the catalogue of possible disciplinary measures in line with the practice in other UN system organizations. Finally, the Committee suggests that the Director, IOD, be clearly designated as the primary and preferred channel for reporting allegations of misconduct, thus avoiding a proliferation of reporting channels.

49. The Committee will seek the views and advice of the Legal Counsel on the proposed amendments and will subsequently share the proposal with Member States for consultation. The Committee aims at submitting its final report to the Coordination Committee in time for the next session of the Coordination Committee.

AGENDA ITEM 11: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

50. The Committee discussed with Management and the Director, IOD, the status of implementation of oversight recommendations. During the three-month period since the last IAOC session, 17 recommendations have been closed while 32 new recommendations have been added, bringing the total number of open recommendations to 175.

51. The Committee noted that 45 (25.7 per cent) of these recommendations were more than two years old. While understanding that the implementation of many recommendations may be complex and may depend on many factors, such as the introduction of new systems or the cooperation of external parties, the Committee is concerned that as many as 71 (40.6 per cent) of these were past their agreed implementation dates. In addition, in many cases the original implementation dates agreed by Management have been repeatedly revised. The Committee plans to discuss some of these cases with the Managers concerned at its next session.

52. The Committee suggested that Management, together with IOD or with the External Auditor, review the long outstanding recommendations to determine their continued relevance and, if still relevant, come up with realistic target dates for their implementation.

AGENDA ITEM 12: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

53. An information meeting was held at which the IAOC briefed Member States representatives on deliberations during the present session and responded to questions posed by the attending delegates.

AGENDA ITEM 13: OTHER MATTERS

Next Session

54. The IAOC's next session will take place from Monday, July 3 to Thursday, July 6, 2017. The draft Agenda for that session is as follows:

- (1) Adoption of the Agenda
- (2) Matters arising from previous Session
- (3) Meeting with the Director General
- (4) Internal Oversight
- (5) Follow-up on Oversight Recommendations
- (6) Financial Report and Financial Statements 2016
- (7) External Audit
- (8) Follow-up on General Assembly request (A/56/16. para 22 (ii))
- (9) Briefing on Copyright and Creative Industries Sector
- (10) Ethics
- (11) Ombudsperson
- (12) IAOC Annual Report 2016
- (13) Information Meeting with Member States' Representatives
- (14) Other Matters

[Annexes follow]



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AGENDA

adopted by the WIPO Independent Advisory Oversight Committee

1. Adoption of the Agenda
2. Matters arising from previous Session
3. Induction for new Members
4. Internal Oversight
5. Draft Financial Report and Financial Statements 2016
6. Proposed Amendments to Financial Regulations and Rules
7. International Standard on Auditing 701: “Communicating Key Audit Matters”
8. Update on Mandated Review of Procurement Policies and Procedures
9. Ethics
10. Follow-up on General Assembly Request (A/56/16. para 22 (ii))
11. Follow-up on Oversight Recommendations
12. Information Meeting with Member States’ Representatives
13. Other Matters

[Annex II follows]



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WIPO Independent Advisory Oversight Committee

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LIST OF DOCUMENTS

adopted by the WIPO Independent Advisory Oversight Committee

ITEM 1: ADOPTION OF THE AGENDA

- [01] Annotated Agenda
- [02] Timetable
- [03] List of Documents

ITEM 2: MATTERS ARISING FROM PREVIOUS SESSION

- [04] IAOC Action List

ITEM 3: INDUCTION FOR NEW MEMBERS

- [05] Programs at WIPO
- [06] WIPO – Making IP Work booklet (2014)
- [07] Guide to WIPO Services booklet (2012)
- [08] “Understanding Patents / Copyright / Trademarks” booklets

ITEM 4: INTERNAL OVERSIGHT

Internal Oversight Division:

- [09] Information Circular No. 5/2017 – Appointment in the Internal Oversight Division (IOD)
- [10] Internal Oversight Division (IOD) Activity Report, March 8, 2017 (Reference: IOD-IAOC-2017/01)
- [11] Internal Oversight Division – Proposed Revised Report Publication Policy (IOD/PP/2017)
- [12] Internal Oversight Division Dashboard (January – December 2016)

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Internal Audit:

- [13] IOD Report: Audit of Project Management, December 7, 2016
(Reference: IA 2016-04)
- [14] IOD Report: Audit of Enterprise Risk Management, December 16, 2016
(Reference: IA 2016-08)

Evaluation:

- [15] Evaluation Report – Evaluation of WIPO Global Database Division
Final Report, January 25, 2017 (Reference EVAL 2016-05)

Investigation:

- [16] Investigation Policy – 2017 Edition (IOD/IP/2017/1) and
Investigation Manual – 2017 Edition (IOD/IM/2017/1)

ITEM 5: DRAFT FINANCIAL REPORT AND FINANCIAL STATEMENTS 2016

No document: Oral account.

ITEM 6: PROPOSED AMENDMENTS TO FINANCIAL REGULATIONS AND RULES

No document: Oral account.

**ITEM 7: INTERNATIONAL STANDARD ON AUDITING 701: “COMMUNICATING KEY
AUDIT MATTERS”**

Letter from External Auditor dated December 1, 2016

**ITEM 8: UPDATE ON MANDATED REVIEW OF PROCUREMENT POLICIES AND
PROCEDURES**

- [17] Review by IOD of Proposed Changes to Procurement Policies and Procedures –
March 14, 2017

ITEM 9: ETHICS

- [18] Audit Report: Audit of WIPO’s Ethics Framework, March 6, 2017
(Reference: IA 2016-06)
- [19] 2017 workplan
- [20] Report on the Implementation of the 2016 workplan
- [21] Update on the review and revision of the Whistleblower Policy

ITEM 10: FOLLOW-UP ON GENERAL ASSEMBLY REQUEST (A/56/16. para 22 (ii))

- [22] Report by the WIPO Independent Advisory Oversight Committee (IAOC),
August 2, 2016 (document WO/GA/48/1)
- [23] Summary Report (document A/56/16) – October 11, 2016

ITEM 11: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

- [24] Open Oversight Recommendations – February 28, 2017

ITEM 12: INFORMATION MEETING WITH MEMBER STATES’ REPRESENTATIVES

ITEM 13: OTHER MATTERS

- [25] Report – Forty-Third Session (WO/IAOC/43/2)
- [26] Information Circular No. 8/2017 – Disciplinary measures applied in WIPO during
the period January-December 2016
- [27] Office Instruction No. 4/2017 – Special Madrid Program

[End of Annex II and of document]