

WIPO Independent Advisory Oversight Committee

Forty-Eighth Session
Geneva, March 19 to 23, 2018

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION

1. The 48th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place from March 19 to 23, 2018. Present were Misses Tatiana Vasileva and Maria Vicien-Milburn, Messrs. Gabor Amon, Egbert Kaltenbach, Mukesh Arya, Othman Sharif and Zhang Long.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

2. 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

3. The IAOC took stock of the actions carried out following the decisions taken at its 47th session.

AGENDA ITEM 3: MEETING WITH THE DIRECTOR GENERAL

4. In his meeting with the Committee, the Director General gave an overview of the general state of the Organization up to the reporting session.

AGENDA ITEM 4: INTERNAL OVERSIGHT

5. The Committee reviewed the Activity Report of the Internal Oversight Division (IOD) and was satisfied with the overall progress made in implementing the 2018 oversight plan. The Committee noted that the position of Head, Internal Audit Section, which has been vacant since June 2017, still remains to be filled.

6. The Committee was briefed on the results of the periodic self-assessment of the internal audit function, which confirmed that WIPO's internal audit function continues to be in general conformity with the Internal Auditing Standards. The Committee welcomed the steps IOD intends to take to further improve the audit process. As recommended by the Committee, IOD will conduct a self-assessment every two years, to serve as a basis for the mandatory external assessment, which is due every five years.

Recommendations

7. As a result of a joint effort between IOD and Management, since November 2017, 41 outstanding internal oversight recommendations were closed, thereby significantly reducing the number of open recommendations to 115. The Committee commends WIPO on the positive effects of this exercise.

8. The Committee was informed by the External Auditor that 52 external audit recommendations were open at the time of the session. The incoming External Auditor informed the Committee that he intends to review all outstanding external audit recommendations and assess their continuing validity and implementation status.

Internal Audit

9. The Committee reviewed the Audit Report on Software Asset Management, issued on December 28, 2017, and published on the WIPO website. The Committee suggested that IOD presents recommendations in a manner that facilitates their tracking and timely closure.

10. The Committee reviewed the Audit Report on Recruitment issued on February 20, 2018, which will be published shortly on the WIPO website. The report shows that, overall, WIPO's recruitment process is timely, and that the targeted lead time of 19 weeks from posting the vacancy announcement to selection decision was met. Management accepted the five audit recommendations aimed at further improving the process.

Evaluation

11. The Committee reviewed the Evaluation Report on the Regional Bureau for Latin America and the Caribbean, issued on March 7, 2018. Management accepted the five recommendations made and aims at implementing them by December 2019.

Investigations

12. The Director, IOD, briefed the Committee on the status of investigations. The Committee was informed that as of March 20, 2018, a total of 14 cases were pending, nine of which had been registered in 2017. Since the last update in November 2017, 22 cases were closed; in six of these cases the allegations of misconduct were substantiated. The Committee was satisfied with the overall progress made and provided advice to the Director, IOD, on a number of the cases.

13. The Committee noted that in several cases, investigation subjects or complainants communicated with IOD through their legal counsel. The Committee is of the view that WIPO should assess the implications of such practice and clarify its policy in this regard, taking into account policies and practices in other UN system organizations.

14. The Director, IOD, will include in his future quarterly reports, information on the use of the investigative software "Encase". This will enable the Committee to monitor the use of such software.

AGENDA ITEM 5: DRAFT FINANCIAL REPORT AND FINANCIAL STATEMENTS 2017

15. The Director, Finance Division, briefed the Committee on the forthcoming Financial Report and Financial Statements for the year 2017. As the Employee Benefits for the year 2017 were recorded according to the recently adopted International Public Sector Accounting Standard 39 ("Employee Benefits"), the corresponding comparative figures for 2016 had to be restated in the 2017 financial statements.

16. Management explained to the Committee's satisfaction the major factors leading to the differences between the restated financial statements for 2016 and the financial statements for 2017.

AGENDA ITEM 6: WIPO PERFORMANCE REPORTING

17. In accordance with Financial Regulation 2.14, approved by the WIPO General Assembly in October 2017, WIPO adopted a new format of the Performance Report for 2016/17. The new format amalgamates the Financial Management Report and the Program Performance Report hitherto submitted separately. The Committee was briefed on the content and layout of the new combined report and considers it to be comprehensive and user friendly. More important, the report provides juxtaposed information on both financial performance and programmatic performance without loss of information contained in the previous reports. This will enable Member States to better appreciate progress of program and financial performance.

AGENDA ITEM 7: WIPO POLICY ON INVESTMENTS

18. The Director, Finance Division, briefed the Committee on the implementation of the revised WIPO Policy on Investments, approved by the WIPO General Assembly in October 2017 as recommended by the PBC. As foreseen in the verbatim report of the 26th session of the Program and Budget Committee (PBC) (paragraph 263), Management submitted to the Committee the monthly Investment Performance Reports prepared by the investment advisors. The Committee also received the Investment Monitoring Report prepared by the custodian.

19. The Committee reviewed these documents and noted that the Investment Monitoring Report contains monthly information on compliance with agreed investment restrictions, for example, on minimum credit ratings. The report reviewed showed no justified exceptions and no active or passive breaches. The Committee further noted that the monthly Investment Performance Reports contained detailed information on the performance of WIPO's investments *vis-à-vis* market performance. During the periods reviewed, WIPO's investment performance was in line with the benchmark.

20. Based on its review of the governance structures and policies surrounding WIPO's investments, the Committee is satisfied that adequate mechanisms have been established to manage, maintain and monitor investments.

21. Given the close monitoring of WIPO's investments by external experts, Management and the Advisory Committee on Investments (ACI), the Committee believes that its quarterly review of the monthly investment reports may be of limited added value. Instead, the Committee suggests the submission of an annual report to the PBC as offered by Management at the 26th session of the PBC. The Committee is prepared to review and comment on such annual reports.

AGENDA ITEM 8: UPDATE ON RISK MANAGEMENT

22. Due to the time required to discuss other Agenda Items, the Committee has deferred this Agenda Item to its 49th session.

AGENDA ITEM 9: EXTERNAL AUDIT

23. The Committee held a video conference with the outgoing External Auditor, Comptroller and Auditor General (CAG) of India. They will shortly start the financial audit for the year 2017. The outgoing External Auditor has agreed with Management on a reporting deadline of July 6, 2018 for the submission of the final audit report. The Committee requested the outgoing External Auditor to consider slightly advancing this deadline so as to enable the Committee to review the report at its next session (July 2 to 5, 2018) and to provide comments to the PBC as required by its Terms of Reference. The Committee commended the audit work performed by CAG of India during the previous years and their contribution to enhancing the governance of WIPO.

24. The Committee also met with the newly appointed External Auditor, the representatives from National Audit Office (NAO), United Kingdom. They briefed the Committee on their audit approach and intended interaction with the Committee. Currently they are preparing for the handover from the outgoing External Auditor. The External Auditor stated that they intended to discuss their audit plan with the Committee at its 50th session in October.

AGENDA ITEM 10: BRIEFING ON BRANDS AND DESIGNS SECTOR

25. The Committee received a comprehensive briefing on the Brands and Design Sector. The Deputy Director General responsible for the Sector and her team provided an insightful

overview on The Hague System for the International Registration of Industrial Design and on the International Trademark System. The overview covered the operation of the systems and the benefits available to users. The overview also touched on the challenges faced by WIPO and users in handling an increasing number of registrations.

26. The briefing greatly assisted the Committee in its understanding of the substantive activities of the Sector and will enable it to better discharge its oversight responsibilities.

AGENDA ITEM 11: ETHICS

27. The Committee reviewed and took note of the approved 2018 workplan of the Ethics Office, which reflects its main responsibilities according to Office Instruction 25/2010 on WIPO Ethics Office. The Committee was pleased to note that the workplan includes the implementation of the six remaining recommendations from the audit review of WIPO's Ethics Framework. The Committee noted that the workplan does not contain any caseload or workload indicators or any quantitative information on the resources available to implement the plan.

28. With regard to the implementation of WIPO's Policy on Financial Disclosure and Declaration of Interests (FDDI), the Chief Ethics Officer expects the automated filing system to become operational during the course of the second quarter of 2018. With regard to the Policy to Protect against Retaliation for reporting Misconduct and for cooperating with duly Authorized Audits or Investigations, the Chief Ethics Officer informed the Committee that there were no pending cases.

29. The Committee was not in a position to review and to advise on the implementation of the 2017 workplan, as the Ethics Office did not yet submit the requested progress report. The Chief Ethics Officer informed the Committee that caseload data for 2017 would only become available in May/June 2018 in preparation of the Ethics Office annual report.

30. With regard to the upcoming revision of the Terms of Reference of the Ethics Office, recommended by the audit review, the Committee requested the Chief Ethics Officer to make the proposed text available for the Committee's review and advice as per the Committee's Terms of Reference. The Committee subsequently received the draft revised Office Instruction prepared by the Ethics Office in collaboration with the Office of the Legal Counsel. It will provide its advice on the text prepared, at its 49th session.

AGENDA ITEM 12: REVIEW OF IAOC TERMS OF REFERENCE AND RULES OF PROCEDURE

31. As required by its Terms of Reference, the Committee reviewed its Terms of Reference and Rules of Procedure, taking into account the Terms of Reference of other UN system Oversight Committees. The Committee recommends a complete revision of Section B, describing the Committee's function and responsibilities with a view to better structuring, streamlining, and clarifying the Section in the light of past experience. This would also provide an opportunity to clarify the Committee's roles and responsibilities *vis-à-vis* the Ethics Office.

32. The Committee will shortly consult with Management and reach out to Member States to seek their feedback on the proposed amendments prior to making a formal recommendation for consideration by the PBC at its 28th session and subsequent approval by the WIPO General Assembly.

AGENDA ITEM 13: IAOC SELF-ASSESSMENT

33. As required by its Terms of Reference, the Committee conducted a self-assessment to ensure it is operating effectively. The self-assessment which covered the period of 2016/17, demonstrated that overall, the Committee is effectively fulfilling its mandate, except in the field of Ethics. The Committee identified certain areas for improvement and will accordingly place more emphasis on reviewing risk management and internal controls. It will also seek closer interaction with the External Auditor.

34. Furthermore, in view of the scope of its responsibilities and the *ad hoc* requests received, the Committee concluded that professional-level support placed at its disposal would assist in meeting the expectations of Member States.

AGENDA ITEM 14: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

35. As provided in its Terms of Reference, an information meeting was held with Member States. The Committee briefed representatives of Member States on deliberations during the present session and responded to questions posed by the attending delegates.

AGENDA ITEM 15: OTHER MATTERS

Next Session

36. The IAOC's next session will take place from Monday, July 2 to Thursday, July 5, 2018. 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 2017
- (7) Update on HR Management
- (8) Update on Risk Management and Internal Controls
- (9) Briefing on Patents and Technology Sector
- (10) Ethics
- (11) IAOC Annual Report
- (12) Information Meeting with Member States' Representatives
- (13) Other Matters

[Annexes follow]



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AGENDA

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1. Adoption of the Agenda
2. Matters arising from previous Session
3. Meeting with the Director General
4. Internal Oversight
5. Draft Financial Report and Financial Statements 2017
6. WIPO Performance Reporting
7. WIPO Policy on Investments
8. Update on Risk Management
9. External Audit
10. Briefing on Brands and Designs Sector
11. Ethics
12. Review of IAOC Terms of Reference and Rules of Procedure
13. IAOC Self-Assessment
14. Information Meeting with Member States' Representatives
15. Other Matters

[Annex II follows]



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LIST OF DOCUMENTS

adopted by the WIPO Independent Advisory Oversight Committee

ITEM 1: ADOPTION OF THE AGENDA

- [01] Agenda
- [02] Timetable
- [03] List of Documents
- [04] IAOC Rolling Agenda, 44th to 51st sessions

ITEM 2: MATTERS ARISING FROM PREVIOUS SESSIONS

- [05] IAOC Action List

ITEM 3: MEETING WITH THE DIRECTOR GENERAL

No document: Oral account.

ITEM 4: INTERNAL OVERSIGHT

Internal Oversight Division:

- [06] IOD Activity Report – March 5, 2018 (Reference: IOD-IAOC-2018/01)
- [07] IOD Required Communications Checklist with the IAOC, December 14, 2017
- [08] Internal Quality Assessment of Internal Audit – February 2018
- [09] Periodic Self-Assessment of the Internal Audit Function – March 19, 2018
- [10] Open Oversight Recommendations - February 28, 2018

Internal Audit:

- [11] IOD Audit Report: *Software Asset Management*, December 28, 2017 (Reference: IA 2017-03)

- [12] IOD Audit Report: *Recruitment*, February 20, 2018
(Reference: IA 2017-04)

Evaluation:

- [13] Evaluation Report: Regional Bureau for Latin America and the Caribbean,
March 7, 2018 (Reference: EVAL 2017-04)

Investigation

ITEM 5: DRAFT FINANCIAL REPORT AND FINANCIAL STATEMENTS 2017

- [14] Account and Presentation, (March 20, 2018)

ITEM 6: WIPO PERFORMANCE REPORTING

- [15] Account and Presentation, (March 20, 2018)

ITEM 7: WIPO POLICY ON INVESTMENTS

- [16] Information Circular No. 29/2017 – *Amendments to the Policy on Investments and WIPO Policy on Investments*
[17] List of Decisions adopted by the Program and Budget Committee
(Document A/57/5) – *September 26, 2017*
[18] Investment Reports – MBS Capital Advice
WIPO Core Rapport, in CHF, as of December 31, 2017 and
WIPO Strategic Rapport, in CHF, as of December 31, 2017
[19] Investment Reports – MBS Capital Advice
WIPO Core Rapport, in CHF, as of January 31, 2018 and
WIPO Strategic Rapport, in CHF, as of January 31, 2018
[20] Investment Reports – MBS Capital Advice
WIPO Core Rapport, in CHF, as of February 28, 2018 and
WIPO Strategic Rapport, in CHF, as of February 28, 2018

ITEM 8: UPDATE ON RISK MANAGEMENT

- [21] Presentation of WIPO Risk Management Policy, March 2018
[22] Office Instructions N° 41/2017 – *WIPO Risk Management Policy*,
December 15, 2017
[23] *Risk and Internal Control Manual*, (updated November 2017)

ITEM 9: EXTERNAL AUDIT

- [24] Presentation of UK Proposal (National Audit Office) and Biography of Team

ITEM 10: BRIEFING ON BRANDS AND DESIGNS SECTOR

- [25] Account and Presentations on Brands and Designs Sector (March 21, 2018)

ITEM 11: ETHICS

- [26] Ethics Office approved 2018 Workplan

ITEM 12: REVIEW OF IAOC TERMS OF REFERENCE AND RULES OF PROCEDURE

- [27] WIPO Financial Regulations and Rules, Annex III – *Terms of Reference of the*
WIPO Independent Advisory Oversight Committee
(last amended on October 14, 2015)
[28] IAOC Rules of Procedure, document WO/AC/35/2, Annex IV –
December 1, 2014

ITEM 13: IAOC SELF-ASSESSMENT

- [29] Collated IAOC Self-Assessment Questionnaire, December 2017

ITEM 14: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

No document: Oral account.

ITEM 15: OTHER MATTERS

[30] Report – Forty-Seventh Session (WO/IAOC/47/2)

[31] Office Instruction No. 47/2017 – *Internal Organization of WIPO –
Communications Division*

[End of Annex II and of document]