

WIPO Independent Advisory Oversight Committee

Sixtieth Session
Geneva (Virtual), March 22 to 26, 2021

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION

1. Due to the ongoing COVID-19 pandemic, the 60th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place virtually from March 22 to 26, 2021. Present were Ms. Tatiana Vasileva (Chair), Messrs. Bert Keuppens (Vice-Chair), Mukesh Arya, Igors Ludboržs, and Zhang Long. Ms. Maria Vicien-Milburn and Mr. Othman Sharif were unable to participate and sent apologies for their absence.

2. Mr. Sharif informed the Committee by email on March 5, 2021, that he had been appointed First Vice President of Zanzibar effective March 1, 2021. He stated that he will formally write to the Director General to inform him of this development and to offer his resignation from the Committee.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

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3. 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: CONFLICT OF INTEREST DECLARATION

4. Members present were asked to disclose any actual or potential conflict of interest. No conflict of interest was reported.

AGENDA ITEM 3: MATTERS ARISING FROM PREVIOUS SESSION

5. The Committee took stock of the actions carried out following the decisions taken at its 59th session.

AGENDA ITEM 4: MEETING WITH THE DIRECTOR GENERAL

6. The Director General, Mr. Daren Tang, met the Committee and presented his Sector Leads, as follows: the four Deputy Directors General, namely: Ms. Sylvie Forbin (Copyright and Creative Industries Sector), Ms. Lisa Jorgenson (Patents and Technology Sector), Mr. Hasan Kleib (Regional and National Development Sector) and Ms. Wang Binying (Brands and Designs Sector), and the four Assistant Directors General, namely: Mr. Marco Aleman (IP and Innovation Ecosystems Sector), Mr. Edward Kwakwa (Global Challenges and Partnerships Sector), Mr. Kenichiro Natsume (Infrastructure and Platforms Sector), and Mr. Andrew Staines (Administration, Finance and Management Sector).

7. The Committee was grateful for the engaging and candid conversation with the Director General and his Team on various initiatives and other ongoing and planned activities of the Organization.

AGENDA ITEM 5: INTERNAL OVERSIGHT (INCLUDING FINAL 2021 OVERSIGHT ANNUAL WORK PLAN)

Final 2021 Annual Work Plan

8. The Committee reviewed with the Director, Internal Oversight Division (IOD) the final 2021 Oversight Annual Workplan, the draft of which was discussed thoroughly in the 59th Session. All comments and suggestions by the Committee were taken into account by IOD in finalizing the 2021 Annual Workplan.

9. Other detailed elements of the workplan were discussed during the Committee's review of IOD Activity Report dated March 12, 2021 (presented in the next sub-section).

IOD Activity Report

10. The Committee reviewed with the Director, IOD and his line managers, the quarterly Activity Report as of March 12, 2021. The Committee noted that since the last quarterly report as of November 15, 2020, two reports were issued and discussed in the 59th Session in December 2020 (Review and Update of the IOD Annual Planning Development Cycle and *Ex-Ante* Evaluation of the Regional Bureau for Asia and the Pacific Framework for Technical Cooperation) and one report issued was discussed in this 60th Session (Audit and Integrity Review of Absence Management Report).

11. The Committee observed the increasing trend of advisory engagements in all three IOD functions: audit, evaluation and investigation. While this may be considered positive, there is a need to be cautious, particularly for audit as its core function is ensuring accountability, transparency and good governance. The Director, IOD explained that indeed there is an increasing demand from Management for IOD advisory services, which is in line with the standards promulgated by the Institute of Internal Auditors as well as the Internal Oversight Charter. The Director, IOD assured the Committee that IOD will keep its primary focus on the core function while also accommodating advisory service engagement requests from management considering its overall available resources.

12. The Committee expressed concern over the impact of the COVID-19 pandemic on IOD's work and risk management. Some delays were reportedly experienced with regard to outsourced engagements and those that involved travels and interviews of investigation subjects. Overall, however, IOD's workplan was progressing well. IOD also had exchanges with other UN organizations on audit approaches being taken by them during the pandemic.

13. The Committee made specific suggestions on how to improve progress reporting on the quarterly status of engagements, particularly showing original planned dates in addition to the current status to make reporting more informative. The Director, IOD agreed with the suggestion to include this information in future activity reports.

14. With regard to the 107 recommendations, the Committee inquired as to the progress in closing old recommendations as only 30 recommendations were noted to have been closed. IOD explained that various factors made the follow-up difficult, such as the changes at the top level, reorganization of some units, and migration of their audit management system. The Committee noted that IOD would resume their follow-up meetings after the first quarter of this year.

15. The Committee congratulated IOD on the data analytics project, which is currently ongoing.

Internal Audit Engagements

16. The Committee, together with the Director, IOD and his team as well as the Director of Human Resources Management Department (HRMD), reviewed the Report on the Audit and Integrity Review of Absence Management, issued on February 3, 2021. The Committee took note of the positive developments that enhanced the efficiency and effectiveness, as well as the opportunities for improvement in absence management. The Committee further noted the seven recommendations, which were all of medium priority.

17. The Committee found the results interesting and suggested that the analysis and findings focus more on leading policy level changes. The Director, IOD informed that there were some

elements in the report that already led to policy changes aimed to further improve human resources management in the Organization.

18. Asked by the Committee about the lessons to be learned from this engagement, the Director, HRMD stated that they are reviewing flexible ways of working in the new normal, such as having two days of teleworking per week.

Investigations

19. The Committee was updated on the status of investigation cases. Since its last session, six new cases were opened and six were closed, of which two were after a preliminary evaluation and four after a full investigation. As of February 28, 2021, there were 11 pending investigation cases, of which one was under preliminary evaluation, six under full investigation, and four cases on hold. The Committee noted that of the 11 pending cases, one was registered in 2016, three in 2019, four in 2020 and three in 2021. There was one case where allegations of misconduct were substantiated and a recommendation for disciplinary action was made.

20. The Committee deliberated on a few pending cases and provided advice, as necessary.

21. In accordance with its Terms of Reference, the Committee met in a private session with the Director, IOD.

External Quality Assessments

22. The Committee discussed with the Director, IOD and his line managers the separate Reports on the External Quality Assessment (EQA) of Internal Audit and Investigation functions that were conducted in 2020.

(a) EQA - Internal Audit

23. For the internal audit function, IOD contracted *Institut Français de l'Audit et du Contrôle Internes (IFACI)*, the French branch of the Institute of Internal Auditors. The overall conclusion was that IOD generally conforms to the mandatory elements of the International Professional Practices Framework and the Internal Oversight Charter. The final report, issued in November 2020, has been published on WIPO public website. The Committee and the IOD Team reviewed all the recommendations in detail, particularly noting those that impact the Committee, such as the performance appraisal of the Director, IOD, and those that require revision of the Internal Oversight Charter, such as the annual opinion on the overall governance, risk management and controls, and the risk assessment processes related to audit planning. As requested, the Committee provided its advice to IOD.

(b) EQA - Investigations

24. With regard to the investigation function, IOD conducted an EQA through a peer review by professional investigators from the World Trade Organization (WTO) and the International Organization for Migrations (IOM). The final report was issued in December 2020, confirming that the IOD investigation function generally conforms to applicable practice standards. The Committee and the IOD Team discussed each of the recommendations, and the Committee offered suggestions for the implementation.

25. The Committee congratulated IOD for the successful results of the External Quality Assessments of the Internal Audit and Investigation functions.

AGENDA ITEM 6: REVIEW OF OVERSIGHT RECOMMENDATIONS

26. The Committee, together with the Director, IOD, reviewed the status of implementation of oversight recommendations as of February 28, 2021. The Committee noted that 28 (or 26 per cent) of 107 outstanding recommendations were of high priority. Since the last IAOC meeting, there were 14 new recommendations whereas five were closed. The Committee further noted that Program 23 had the highest number of open recommendations and was responsible for 43 per cent of the high priority recommendations (12 out of 28). IOD stated that Program 23 pertained to Human Resources Management, which accounted for more than 60 per cent of the corporate budget and therefore considered a high priority for oversight engagements. IOD further clarified that the total number of 32 recommendations pertaining to Program 23 was a dynamic set consisting of new and not so old recommendations, aged around two years.

27. The Committee inquired as to the systemic issues that could be discerned from the nature of the open recommendations.

28. Related to the Committee's query on assessing the risk of non-implemented recommendations, as part of IOD's overall audit risk management, the Controller informed the Committee of a recent Management decision to now include the Director, IOD as an observer in the Risk Management Group (RMG) meetings. This was welcomed by the Committee. She also informed the Committee that Management is looking at risk as part of the strategy and that the strategic framework is currently under revision and that the risk appetite statement is being considered for a periodic review every five years.

AGENDA ITEM 7: FINANCIAL REPORTING – DRAFT FINANCIAL STATEMENTS 2020

29. The Committee reviewed with Management the draft Financial Statements for 2020, specifically the Statement of Financial Performance and Statement of Financial Position. In the absence of the full financial statements and detailed notes, which would be available only after March 31, 2021, the Committee inquired into the causes of increases or decreases in the financial figures between 2019 and 2020, as well as on the nature of some accounts. The Committee was appreciative of the explanations provided by the Director of Finance Division.

30. Based on the draft presented, the Committee was pleased to note that WIPO's financial performance improved in 2020 with a surplus recorded at CHF 136 million compared to CHF 98 million in 2019. Total revenue increased while total expenses decreased, comparing 2020 with 2019. In terms of financial position, the Committee was pleased to note that WIPO had net assets of CHF 387 million in 2020 compared to CHF 364 million in 2019.

31. Overall, the Committee confirmed that the COVID-19 pandemic did not have a negative impact on the financial status of WIPO in 2020. The Committee reconfirmed that there was no change made in the investment policy or that there was any impact on WIPO's financial management.

AGENDA ITEM 8: UPDATE ON RISK MANAGEMENT

32. The 2020 WIPO Annual Risk Management Report dated March 16, 2021, was presented to the Committee. The Management Team explained the risk assessment method using the Risk Maturity Model of the UN High Level Committee on Management (HLCM) and also benchmarking on the report of the Joint Inspection Unit (JIU/REP/2020/5 "Enterprise Risk Management: Approaches and uses in United Nations system organizations"). The Committee was pleased to note that WIPO has been self-assessed as "Advanced (Level 4)" in terms of (i) ERM Framework and Policy, (ii) Governance and Organizational Structure, (iii) Process and Integration, (iv) Systems and Tools; "Established (Level 3.5)" in terms of Risk

Capabilities; and “Established (Level 3)” in terms of Risk Culture. With regard to the aforesaid report of the Joint Inspection Unit, the Committee was likewise pleased to note that WIPO has already implemented 14 of the informal recommendations, currently plans to implement one more, and will consider the potential to implement a further three informal recommendations relevant to WIPO.

33. The presentation included a section on Global Risks that were discussed at the recent UN-wide Risk Management Task Force meeting, as well as at the WIPO Risk Management Group (RMG) meeting. The Controller stated that the Director General, in the RMG meeting, had clearly recognized and emphasized the strong need for being financially prudent in 2021 and in planning for the next biennium. The Controller further assured the Committee that monitoring mechanisms and risk mitigation measures were in place.

34. The Committee was thankful for the informative presentation of the Management Team and especially the candid responses of the Controller. The Committee remains confident about the overall approach of WIPO in managing its risks, particularly during this pandemic period.

AGENDA ITEM 9: EXTERNAL AUDIT (UPDATE ON 2020 AUDITS)

35. The Committee discussed with the representatives of the External Auditor, and with Management in attendance, the progress on the audit of the 2020 WIPO Financial Statements. The representatives made an oral presentation of the preliminary audit work done so far, concluding that no major issues were found. Having learned their lessons from last year’s audit, the representatives stated that they are confident that this year’s audit will be smoother than last year and that the audit report would be issued as expected by May 2021. The draft 2020 Financial Statements were expected to be submitted by WIPO Management to the External Auditor by March 31, 2021, and the external audit was expected to commence on April 5, 2021.

36. The Committee noted that the External Auditor would be engaging their own actuarial experts and land valuation experts to assess the actuarial assumptions and land valuations, respectively, that would be presented by WIPO. The Committee also followed up on the performance audits, particularly of the External Offices, and took note that this will be part of the long form audit report to be issued in due course.

37. The Committee was also pleased to know that coordination with IOD is ongoing to avoid duplication of audit efforts as well as to take into account IOD’s work in the External Auditor’s review of Management’s Statement on Internal Control for 2020. The Committee took the opportunity to discuss some of the recommendations from the External Quality Assessment of the Internal Audit function, such as the requirement for an annual audit opinion on governance, risk management and internal controls, to which the representative expressed support as this was also one of the External Auditor’s recommendations in the past.

38. In accordance with its terms of reference, the Committee also met in a private session with the representatives of the External Auditor.

AGENDA ITEM 10: ETHICS (INCLUDING 2021 ETHICS OFFICE WORKPLAN)

39. The Chief Ethics Officer made an oral presentation to the Committee on the update on implementation of 2020 Ethics Workplan. She discussed the staff attestation, financial disclosure, outreach program, advisory services, among others. The Committee noted that the 2021 Annual Workplan has not been completed and therefore, could not be presented during this 60th session, as earlier planned. There were also delays on the attestation of the Code of

Ethics by staff members and on the development of the policy on retaliation. The Committee was informed of the appointment of the interim Chief Ethics Officer to replace the incumbent, who is going on retirement on March 31, 2021. The Chief Ethics Officer reported to the Committee that she has focused on the transition to ensure that the interim Chief Ethics Officer is given access to all the important documents to enable him to perform the ethics function.

40. The Committee members expressed their best wishes for her retirement.

AGENDA ITEM 11: REVIEW OF IAOC TERMS OF REFERENCE

41. In accordance with the IAOC Terms of Reference, the Member States review at least every three years the role and responsibilities, functioning and membership of the IAOC. With the last revision approved by the WIPO General Assembly in October 2018 (document WO/PBC/28/3), the next review is due this year. Thus, the Committee commenced its review during the current session by taking into account the results of its annual self-assessments, the recommendations of the Joint Inspection Unit (JIU/REP/2019/6, "Review of Audit and Oversight Committees in the United Nations System"), and any relevant recommendations of the recently concluded External Quality Assessment of the Internal Audit function. Any appropriate amendments shall be presented for consideration by the Program and Budget Committee in due course.

AGENDA ITEM 12: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

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

AGENDA ITEM 13: OTHER MATTERS

WIPO Investment Reports

43. Management submitted to the Committee the Investment Performance Reports and the Investment Monitoring Reports for November and December 2020, and January and February 2021, prepared by the Investment Advisors and the Custodian, respectively.

44. The Committee reviewed the documents received and confirmed that the information provided showed that during the period reviewed, and based on the investment market benchmark, all the vehicles in WIPO's investment portfolio delivered the expected results and were managed in accordance with the stated investment strategy. In addition, the Committee confirmed that the Custodian did not report any breaches, active or passive, or justified exceptions. The Committee reconfirmed from Management that no changes in the investment policy have been made by WIPO since the start of the COVID-19 pandemic.

Next Session

45. The next session is scheduled to take place from July 5 to 9, 2021. This will most likely still be in a virtual format because of the continuing pandemic situation. The draft Agenda for that session is as follows:

- (1) Adoption of the Agenda
- (2) Conflict of Interest Declaration
- (3) Matters arising from previous Session

- (4) Meeting with the Director General
- (5) Briefing from the Assistant Director General for Administration, Finance and Management Sector
- (6) Internal Oversight (including 2020 IOD Annual Report and Review of Internal Oversight Charter)
- (7) Follow-up on High-Priority Oversight Recommendations
- (8) Financial Reporting: Annual Financial Report and Financial Statements 2020
- (9) External Audit: Report of the External Auditor
- (10) Update on Risks and Mitigating Controls
- (11) Update on Human Resources Management
- (12) Ethics: 2021 Workplan, Implementation Update, 2020 Annual Report
- (13) Ombudsperson: Activity Report for 2020
- (14) Review of IAOC Terms of Reference
- (15) IAOC 2020 Annual Report
- (16) Information Meeting with Member States' Representatives
- (17) Other Matters

[Annexes follow]



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Sixtieth Session
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AGENDA

prepared by the WIPO Independent Advisory Oversight Committee

1. Adoption of the Agenda
2. Conflict of Interest Declaration
3. Matters arising from previous Sessions
4. Meeting with the Director General
5. Internal Oversight (including Final 2021 Oversight Annual Workplan)
6. Review of Oversight Recommendations
7. Financial Reporting – Draft Financial Statements 2020
8. Update on Risk Management
9. External Audit (Update on 2020 Audits)
10. Ethics (including 2021 Ethics Office Workplan)
11. Review of IAOC Terms of Reference
12. Information Meeting with Member States' Representatives
13. Other Matters

[Annex II follows]



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WIPO Independent Advisory Oversight Committee

Sixtieth Session
Geneva (Virtual), March 22 to 26, 2020

LIST OF DOCUMENTS

ITEM 1: ADOPTION OF THE AGENDA

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

ITEM 2: STATEMENT OF DISCLOSURE OF INTEREST AND TECHNICAL MATTERS

No document: Oral account.

ITEM 3: MATTERS ARISING FROM PREVIOUS SESSIONS

No document: Oral account.

ITEM 4: MEETING WITH THE DIRECTOR GENERAL

- [04] Appointment of Deputy Directors General and Assistance Directors General (Reference: WO/CC/79/2)
- [05] Annex to Information Circular (Reference: IC/4/2021)

ITEM 5: INTERNAL OVERSIGHT (INCLUDING FINAL 2021 OVERSIGHT ANNUAL WORKPLAN)

Internal Oversight Division:

- [06] IOD Activity Report – March 12, 2021 (Reference: IOD-IAOC-2021/01)
- [07] Internal Oversight Division (IOD) – 2021 Oversight Annual Workplan (Reference: IOD/WP/2021/1), December 22, 2020
- [08] External Quality Assessment of the Internal Audit, November 2020
- [09] External Quality Assessment of the Investigation Function, December 18, 2020
- [10] 2020 External Quality Assessment of the Investigation Function – List of Recommendations

Audit:

- [11] Audit and Integrity Review Report of Absence Management, February 3, 2021
(Reference: IA 2020-02)

Investigation:

- [12] Status of Implementation of Recommendations from External Quality Assessment of WIPO's Investigation Function (December 18, 2020)

ITEM 6: REVIEW OF OVERSIGHT RECOMMENDATIONS

- [13] Open Oversight Recommendations – February 28, 2021

ITEM 7: FINANCIAL REPORTING – DRAFT FINANCIAL STATEMENTS 2020

- [14] Statements of Financial Performance and of Financial Position for 2020,
(March 23, 2021)
[15] Statement on Internal Control for period January 1 to September 30, 2020
[16] Statement on Internal Control for period October 1 to December 31, 2020

ITEM 8: UPDATE ON RISK MANAGEMENT

- [17] Annual Risk Management Report (January to December 2020), March 16, 2021
[18] WIPO Annual Risk Management Report 2020, March 2021

ITEM 9: EXTERNAL AUDIT (UPDATE ON 2020 AUDITS)

No document: Oral account.

ITEM 10: ETHICS (INCLUDING 2021 ETHICS WORKPLAN)

- [19] *Curriculum vitae* of the Interim Ethics Officer, February 22, 2021

ITEM 11: REVIEW OF THE IAOC TERMS OF REFERENCE

- [20] Terms of Reference of the WIPO Independent Advisory Oversight Committee
(WIPO Financial Regulations and Rules, Annex III, October 2018)
[21] JIU Report on Review of Audit and Oversight Committees in the United Nations
Systems (JIU/REP/2019/6)

ITEM 12: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

No document: Oral account.

ITEM 13: OTHER MATTERS

- [22] Report – Fifty-Ninth Session (WO/IAOC/59/2)
[23] IAOC Rolling Agenda, 60th to 63rd Sessions
[24] Office Instruction No. 7/2021, Changes to the internal organization of WIPO,
February 15, 2021

Investment Reports:

- [25] Credit Suisse – Investment Monitoring Reports for November and
December 2020, and January and February 2021
[26] MBS Capital Advice – Investment Performance Reports for November and
December 2020, and January and February 2021

[End of Annex II and of document]