

Program and Budget Committee

Twenty-Eighth Session
Geneva, September 10 to 14, 2018

REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)

prepared by the WIPO Independent Advisory Oversight Committee (IAOC)

1. This document contains the Report by the WIPO Independent Advisory Oversight Committee (IAOC), prepared by the IAOC and covering the period July 7, 2017 to July 5, 2018.
2. The following decision paragraph is proposed:
 3. *The Program and Budget Committee (PBC) recommended to the WIPO General Assembly to take note of the “Report by the WIPO Independent Advisory Oversight Committee (IAOC)” (document WO/PBC/28/2).*

[Report by the WIPO Independent Advisory Oversight Committee follows]

ANNUAL REPORT BY THE WIPO
INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)
FOR THE PERIOD JULY 7, 2017 to JULY 5, 2018

[July 17, 2018]

Contents

WIPO General Assembly	0
I. INTRODUCTION.....	3
II. QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS.....	3
III. MATTERS REVIEWED	4
A. Internal Oversight.....	4
B. External Audit.....	6
C. Financial Reporting	6
D. Risk Management and Internal Controls.....	7
E. Implementation of Oversight Recommendations	7
F. Ethics	7
G. Other matters	8
IV. CLOSING REMARKS	10

I. INTRODUCTION

1. Pursuant to its Terms of Reference, the WIPO Independent Advisory Oversight Committee (IAOC) submits an annual report to the Program and Budget Committee (PBC) and to the WIPO General Assembly.

2. The IAOC was established in 2005. It is a subsidiary body of the WIPO General Assembly and of the Program and Budget Committee (PBC). It serves in an independent expert advisory capacity and assists the Assembly and the PBC in fulfilling their oversight responsibilities.

3. The present report covers the period July 7, 2017 to July 5, 2018. Section II of this report provides an overview of IAOC quarterly sessions, composition of the Committee and working methods. Section III details matters discussed and reviewed by the IAOC during the reporting period.

II. QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS

Quarterly Sessions

4. During the reporting period, the IAOC held four quarterly sessions: from October 17 to 20, 2017 (46th session); from December 12 to 15, 2017 (47th session); from March 19 to 23, 2018 (48th session); and from July 2 to 5, 2018 (49th session). In line with its Terms of Reference, the Committee held an information meeting with representatives of Member States following each session, and published its session reports on the WIPO website.

Composition

5. The IAOC comprises seven members drawn from WIPO's Regional Groups; the members serve in their personal capacity and independently of Member States. In conformity with its Terms of Reference and Rules of Procedure, at its 47th session in December 2017, the Committee re-elected the current Chair and Vice-Chair to continue in their respective capacities.

6. In accordance with the selection process described in paragraph 28 of document WO/GA/39/13, the Committee currently consists of the following members:

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

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

Working Methods

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

8. During the reporting period, the Committee received briefings on Copyright and Creative Industries Sector, Global Infrastructure Sector, Brands and Designs Sector, and Patents and Technology Sector. These meetings with the Senior Program Managers and their teams provided insightful and comprehensive overviews on WIPO's substantive functions and activities, and allowed the Committee to gain a better understanding of the context of its oversight responsibilities.

Self-Assessment

9. As required by its Terms of Reference, the Committee conducted a self-assessment to ensure it is operating effectively. The result of the exercise, which covered the period 2016-2017, indicated that the Committee was fulfilling its mandate effectively, except in the field of Ethics. Certain areas for improvement were identified (such as more focus on reviewing risk management and internal controls, and establishing closer interaction with the External Auditor).

10. The Committee also felt that given the scope of its responsibilities and the increased number of *ad hoc* requests received, it would benefit from professional-level support in order to be able to fully respond to expectations from Member States.

III. MATTERS REVIEWED

A. Internal Oversight

Internal oversight plan and workplan results

11. In accordance with the Internal Oversight Charter, the IAOC reviewed and provided comments on the draft internal oversight plan for 2018. The Committee was satisfied with the risk-based approach taken and the methodology applied.

12. Throughout the year; based on quarterly activity reports prepared by the Director, IOD, the Committee reviewed the progress in implementing the approved workplan, ascertaining that planned assignments were achieved. The Committee was satisfied with the overall progress in implementing the oversight plan, the oversight coverage achieved and the overall quality of the results produced.

IOD Staffing

13. During the reporting period, IOD faced a high staff turnover and protracted vacancies. The position of Head, Evaluation Section, which had been vacant since July 2016, was not filled until September 2017. The position of Head, Internal Audit Section, which had been vacant since June 2017, still remained to be filled at the time of writing this report. In addition, the recruitment processes for vacant positions in evaluation (P3) and investigation (P4) were still ongoing. The Committee noted with concern the length of the recruitment exercise in some of these cases.

14. Notwithstanding these staffing constraints, IOD was able to complete most of its planned activities. The Committee acknowledges the special efforts made by IOD to achieve the planned results.

Internal Audit

15. The IOD briefed the Committee on the results of a periodic self-assessment of the internal audit function conducted in 2017. The self-assessment confirmed that WIPO's internal audit function continued to be in general conformity with the International Standards for the Professional Practice of Internal Auditing. The self-assessment also identified the need for amending the Internal Oversight Charter with a view to creating a proper basis for providing consulting and advisory services. The Committee welcomed the steps IOD intended to take to

further improve the audit process, recommending that the exercise be undertaken every two years, to serve as a basis for the mandatory external assessment, which is due every five years.

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

- Audit of the Management of Third Party Events organized/hosted by WIPO (IA 2017-02)
- Audit of Software Asset Management (IA 2017-03)
- Audit of Recruitment (IA 2017-04)
- Audit of the Language Division (IA 2018-02)
- Audit of Travel Management (IA 2018-01)

Evaluation

17. The Committee discussed with the Director, IOD, working methods and approaches to the evaluation assignments and was pleased to note that the good mix of the risk-based methods used allowed comprehensive evaluation of the effectiveness and sustainability of Programs. The Committee welcomed that IOD now presents its evaluation reports with a short “evaluation brief”, which concisely summarizes the findings, conclusions and recommendations. The Committee encouraged further improvements aimed at keeping the reports shorter and more succinct.

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

- Evaluation of WIPO’s Corporate Communications Activities and their Contributions to WIPO’s Brand and Reputation (EVAL 2017-01)
- Evaluation of the Regional Bureau for Latin America and the Caribbean (EVAL 2017-04)
- Evaluation of WIPO Global Database Division (EVAL 2016-05)

Investigations

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

20. At the time of writing this report, there were 12 open investigation cases, of which five were registered in 2018, six in 2017 and one in 2016. In cases involving a potential conflict of interest on the part of IOD, the Committee reviewed each case in detail and provided advice to the Director, IOD, and others, in accordance with the Internal Oversight Charter. In one case, the advice provided gave rise to different interpretations of the Internal Oversight Charter and of the Committee’s role; at the time of writing this report, the matter was still under discussion.

21. The Committee was satisfied with the overall timeliness in which IOD addressed complaints, but shared its concerns about certain cases where serial, and possibly frivolous, complaints absorbed the limited investigation capacity. In a number of other cases, investigation subjects claimed to be unfit for interview, thus significantly delaying the investigation. The Committee supported IOD’s intention to deal more assertively with such complaints.

22. The Committee also noted several cases, where investigation subjects or complainants communicated with IOD through their legal counsel, making the process more complex and

adding to delays. The Committee recommended that WIPO should assess the implications of such practice, which may set a precedent, and clarify its policy in this regard, taking into account policies and practices in other UN system organizations.

B. External Audit

23. During the reporting period, the Committee held a video meeting with the outgoing External Auditor, Comptroller and Auditor General (CAG) of India. The Committee discussed with the External Auditor, *inter alia*, the expected timing for the submission of the report on the Financial Statements 2017, in view of its responsibility to review the report and to provide comments to the Program and Budget Committee, in accordance with its Terms of Reference.

24. The Committee thanked the outgoing External Auditor for the audit work performed over the past years and for their contribution to enhancing governance of WIPO.

25. At the time of the Committee's 49th session, the Report of the External Auditor for the Financial Year 2017 was not yet available for the Committee's review. Subsequently, on July 18, 2018, the Committee received the Report dated July 5, 2018.

26. The Committee was pleased to note that the External Auditor placed, once again, an unqualified audit opinion on WIPO's financial statements and commends Management on this result.

27. The Report included findings from the audit of the financial statements, the performance audit of the Madrid System, and the compliance audit of Premises and Maintenance.

28. In the financial audit, although there were no significant issues, the External Auditor questioned the sale of the Madrid Union Building at Swiss francs 7.0 million without a competitive bidding process.

29. The performance audit of the Madrid System confirmed a potential for improvement and resulted in a number of audit recommendations aimed, *inter alia*, at further enhancing customer service and quality assurance tools.

30. The compliance audit of Premises and Maintenance disclosed that, despite the efforts already made, the records in the asset management system required further clean-up and that barcodes of assets were sometimes missing. The Committee noted that Management accepted the corresponding recommendations to further enhance asset management.

31. The External Auditor has also analyzed the implementation status of eight audit recommendations stemming from prior years' financial audits; while three recommendations are still in progress, the External Auditor has accepted five recommendations as closed. The Committee noted the progress made.

32. On two occasions, the Committee met with the new External Auditor, the National Audit Office (NAO), United Kingdom, who briefed the Committee on their preliminary engagement activities and sought the Committee's input on their audit strategy and audit planning. The Committee also discussed with the External Auditor the proposed amendments to its Terms of Reference with regard to External Audit.

C. Financial Reporting

33. 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. This new format consolidates the Financial Management Report and the Program Performance Report, which were previously submitted separately, into a single Program and Financial Management Report (PFMR). The Controller briefed the Committee on the content and layout of the new combined report. The Committee welcomed the new format, which it felt was more comprehensive and

user friendly. Moreover, not only would the new format provide juxtaposed information on both financial performance and programmatic loss of information contained in the previous reports, but it would also enable Member States to better appreciate progress of program and financial performance.

34. The Committee reviewed and discussed with the Director, Finance Division, the Annual Financial Report and Financial Statements for the year 2017. The Committee was satisfied with the explanations provided and considered the format and content of the financial report to be very informative and user-friendly.

35. The Committee noted that the implementation of IPSAS 39 “Employee benefits” resulted in the restatement of WIPO’s 2016 net assets from Swiss francs 311 million to 149 million. IPSAS 39 had been implemented one year earlier than required by the standard and WIPO’s financial statements remain fully aligned with IPSAS.

D. Risk Management and Internal Controls

36. The Committee discussed with Management their approach to risk management and internal control and reviewed the WIPO Risk Management Policy issued in December 2017 (Office Instruction N° 41/2017), the Annual Risk Reports for 2016 and 2017 and the Director General’s Statement on Internal Control for 2017.

37. The Committee appreciates the significant progress made in implementing the risk management road-map and in establishing a formalized risk management system. The Committee also noted with appreciation the progress made in identifying and assessing entity level controls and process level controls, and was informed that the exercise would be completed by the end of 2018.

38. As WIPO’s Risk Management Policy is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Internal Control – Integrated Framework (not COSO Enterprise Risk Management (ERM) however), the Committee brought to the attention of Management that COSO ERM Framework has been updated in December 2017 and suggested to review its potential implications on the policy.

39. The Committee was informed of the activities taken and planned under the Anti-Fraud Roadmap and welcomed in particular the fraud risk assessment to be conducted in the near future with the support of an external expert.

E. Implementation of Oversight Recommendations

40. At each of its sessions, the Committee reviewed the status of implementation of oversight recommendations, based on data provided by IOD’s central database TeamCentral. The Committee discussed with Management and IOD ways to address, in particular, long outstanding recommendations and encouraged IOD to reassess such long outstanding recommendations as to their continued validity and relevance. As of June 30, 2018, the total number of open recommendations amounted to 180, of which 124 stemmed from IOD reviews and 46 from external audits. Compared to the situation as of June 30, 2017 (193 open recommendations), this constitutes a slight improvement.

F. Ethics

Ethics Office

41. In 2015, Member States expanded the mandate of the IAOC to also cover the ethics function. The IAOC’s Terms of Reference require the Committee, *inter alia*, to review and provide advice on the proposed annual workplan of the Ethics Office.

42. On several occasions, the Committee discussed with the Chief Ethics Officer its role and responsibilities with regard to the ethics function, in particular with respect to the annual workplan and its implementation. The Committee emphasized the need for the workplan to include milestones and target dates for major projects. While the proposed 2018 workplan was not received on time for review, the Committee reviewed and took note of the approved 2018 workplan. The Committee confirms that the workplan reflects the main responsibilities of the Ethics Office and also includes the implementation of the six remaining recommendations from the audit review of WIPO's Ethics Framework. However, the workplan does not contain any caseload or workload indicators or any quantitative information on the resources available to implement the plan.

43. To avoid ambiguities and misunderstandings in the future, the Committee suggests clarifying its role and responsibilities with regard to the ethics function and recommends to the PBC appropriate amendments to its Terms of Reference.

WIPO Policy to Protect against Retaliation

44. At the request of the Director General, the Committee reviewed the proposed WIPO Policy to Protect against Retaliation ("Whistleblower Protection Policy") and provided extensive comments and suggestions with a view to aligning the policy more closely to best practices in the United Nations system. The Committee reviewed the final policy promulgated in September 2017 (Office Instruction N° 33/2017) and was pleased to note that the Secretariat fully considered the Committee's comments and suggestions. With regard to implementing the new policy, the Committee recommended that the Chief Ethics Officer provide input to the Director, IOD, on how to identify situations of potential retaliatory threats in the investigative phase, and how to interact with the Ethics Office in addressing those threats.

WIPO Policy on Financial Disclosure and Declaration of Interests (FDDI)

45. At the request of the Director General, the Committee reviewed the proposed Policy on Financial Disclosure and Declaration of Interests (FDDI) and discussed its observations and suggestions with the Chief Ethics Officer and the Legal Counsel. The Committee was pleased to note that the policy, which was aligned with financial disclosure policies in other UN system organizations, incorporates additional International Public Sector Accounting Standards (IPSAS) disclosure requirements, and contains adequate safeguards for the protection of confidentiality.

Office Instruction on the WIPO Ethics Office

46. As per its Terms of Reference, the Committee reviewed and provided its comments and advice on the proposed revised Office Instruction on the WIPO Ethics Office. At the time of writing this report, the Committee had not yet received feedback on its comments and suggestions. The Committee will review and assess the final Office Instruction once it becomes available.

G. Other matters

Amendments to the WIPO Staff Regulations and Rules

47. In response to the request of the WIPO General Assembly (document A/56/16 paragraph 22(ii)), the Committee, with technical assistance from the Office of the Legal Counsel and after consultation with the Director, Human Resources Management Department, prepared a proposal for amending the WIPO Staff Regulations which, after consultation with Member States, was submitted for consideration by the WIPO Coordination Committee at its 74th session. The proposed amendments, which were adopted by the WIPO General Assembly at its 57th session, aimed at clarifying certain aspects of the disciplinary process in cases of special investigations.

48. In the context of the proposed amendments to the WIPO Staff Regulations, the Committee also made recommendations to the Director General, proposing amendments to the WIPO Staff Rules in order to clarify the roles and involvement of different Secretariat functions in the disciplinary process.

WIPO Investment Reports

49. At its 26th session in July 2017, the PBC recommended to the WIPO General Assembly approval of the revised WIPO Policy on Investments (Information Circular N° 29/2017), on the understanding that the monthly investment reports prepared by the investment advisors would be submitted to the IAOC for review. The Committee discussed with the Controller the implementation of the revised Policy on Investments, as approved by the WIPO General Assembly in October 2017, and the modalities to respond to the request by the PBC. The Committee confirms that Management is regularly submitting the monthly Investment Performance Reports prepared by the investment advisors and the monthly Investment Monitoring Reports prepared by the Custodian for the Committee's review.

50. The Committee noted that the reports contain information on compliance with agreed investment restrictions (for example, on minimum credit ratings) and that the reports reviewed so far showed neither justified exceptions nor active or passive breaches. The Committee further noted that the monthly Investment Performance Reports contain detailed information on the performance of WIPO's investments *vis-à-vis* market performance and that the reports reviewed so far showed that the investments delivered the expected results and were managed in accordance with the stated strategy.

51. Based on its review of the investment reports, the Committee is satisfied that adequate mechanisms had been established to manage, maintain and monitor WIPO's investments and that WIPO's investment performance was in line with the benchmark.

52. Given that WIPO's investments are being closely monitored by external experts, by Management and by the Advisory Committee on Investments (ACI), the Committee felt that its quarterly review of the monthly investment reports might be of limited added value and suggests to consider requesting submission of an annual report to the PBC as offered by Management at the 26th session of the PBC. In the meantime, the Committee will continue to review the investment reports received and report on the information contained therein.

Proposed Amendments to the IAOC Terms of Reference

53. The Terms of Reference of the IAOC were last amended in October 2015. As required by the Terms of Reference, the Committee has reviewed the current version and has shared its proposed amendments with Member States and the Secretariat for consultation. The proposed amendments focus on 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 light of past experience. They also aim at clarifying the Committee's role and responsibilities *vis-à-vis* the Ethics Office.

54. Taking into account the comments received from both Member States and the Secretariat, the Committee has prepared its final proposal for consideration by the PBC at its 28th session and for subsequent approval by the WIPO General Assembly.

55. As some of the proposed amendments to the Terms of Reference will have an impact on the Internal Oversight Charter, the Committee considered it advisable to submit proposed amendments to both documents for simultaneous consideration by the PBC at the upcoming session. In the past, the periodic review of these documents took place in different years, resulting in both documents never being fully aligned. The Committee would seek Member States' views as to whether they would prefer to conduct the review of the Committee's Terms of Reference and the Charter simultaneously.

IV. CLOSING REMARKS

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

[End of document]