

WIPO General Assembly

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Geneva, July 6 to 14, 2023

REPORT

prepared by the WIPO Independent Advisory Oversight Committee (IAOC)

1. The present document contains the “Report by the WIPO Independent Advisory Oversight Committee (IAOC)” (document WO/PBC/36/2), submitted to the WIPO Program and Budget Committee (PBC) at its Thirty-Sixth Session (June 19 to 23, 2023).
2. Any decisions of the PBC in respect of that document will appear in the “List of Decisions adopted by the Program and Budget Committee” (document A/64/7).

[Document WO/PBC/36/2 follows]

Program and Budget Committee

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

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 from May 21, 2022 to March 24, 2023.
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/36/2).*

[Report by the WIPO Independent Advisory Oversight Committee follows]

ANNUAL REPORT BY THE WIPO
INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)
FOR THE PERIOD MAY 21, 2022 to March 24, 2023

[June 8, 2023]

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I. INTRODUCTION

1. Pursuant to its Terms of Reference (ToR), 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 (also referred to as “the Committee”) was established in 2005. It is a subsidiary body of the WIPO General Assembly and of the 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 from May 21, 2022 to March 24, 2023. Section II of this report provides an overview of the Committee’s quarterly sessions, composition of the Committee and working methods. Section III details matters discussed and reviewed by the Committee during the reporting period.

II. QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS

Quarterly Sessions

4. During the reporting period, the Committee held three quarterly sessions: from September 20 to 23, 2022 (66th session); from December 13 to 16, 2022 (67th session); and from March 20 to 24, 2023 (68th session). Considering the COVID-19 pandemic, the 66th and 67th sessions were held in a hybrid format. The 68th session, held *in presentia*, saw the on-boarding of five new members to the Committee. In line with its ToR, the Committee held information meetings with representatives of Member States following all sessions. All the session reports are published on the WIPO website.

Composition and Selection Process for new Members

5. The IAOC comprises seven members drawn from WIPO’s Groups of Member States. The members serve in their personal capacity and independently of Member States. In conformity with its ToR and Rules of Procedure, at its 67th session in December 2022, the Committee elected Mr. Igors Ludboržs as Chair and Mr. Bert Keuppens as Vice-Chair. Mr. Keuppens was the Chair during the 66th and 67th sessions.
6. In accordance with the selection process described in Annex IV, WIPO Financial Regulations and Rules, the Committee currently consists of the following members:

- Mr. Igors Ludboržs, Chair (Group of Central European and Baltic States (CEBS));
- Mr. Bert Keuppens, Vice-Chair (Group B);
- Mr. David Kanja (African Group);
- Mr. Kamlesh Vikamsey (Asia and the Pacific Group);
- Mr. Danil Kerimi (Group of Central Asian, Caucasus and Eastern European States (CACEEC));
- Mr. Jian Guan (China); and
- Mr. German Deffit (Group of Countries of Latin America and the Caribbean (GRULAC)).

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

7. In March 2021, Mr. Othman Sharif (African Group) informally reported his resignation from the Committee and did not participate in meetings thereafter. The rest of the members completed their terms of office in January 2023, as follows:

- Ms. Tatiana Vasileva (CACEEC);
- Ms. Maria Vicien-Milburn (GRULAC);
- Mr. Mukesh Arya (Asia and the Pacific Group); and
- Mr. Zhang Long (China).

Working Methods

8. The Committee provides expert advice through its engagement with WIPO's Director General and the Secretariat staff and the External Auditor, mainly on the basis of reports, presentations and information with which it is provided. It further deliberates on relevant matters to reach its assessments and conclusions.

9. By way of induction, at its 68th session, the Secretariat gave the Committee a structured and comprehensive introduction to WIPO. The Director General provided an overview of the Organization and its strategic objectives. In addition, overviews were provided of the following areas: the Administrative, Finance and Management Sector; the Patents and Technology Sector; the Brands and Designs Sector; the Internal Oversight Division; the Human Resources and Management Division; the Office of Legal Counsel; and Ethics at WIPO. The Committee also met with the Chair of the WIPO General Assembly and the Chair of the Coordination Committee.

IAOC Self-Assessment

10. At its 67th session, in line with its ToR, the Committee conducted a self-assessment exercise in terms of: (i) the roles, responsibilities, and composition of the Committee; (ii) the operation of the Committee; and (iii) the scope as to (a) financial reporting, (b) risk management and internal control, (c) external audit, (d) internal oversight, and (e) ethics. The self-assessment exercise highlighted some aspects, such as the continuing need to revisit the ToR of the IAOC.

11. The Committee took stock of its contributions, specifically drawing from the annual reports of 2019, 2020, and 2021 and the session reports in 2022. In summary, the Committee contributed to: (i) strengthening the risk management framework in WIPO, including having an updated Risk Appetite Statement; (ii) improving the system for following up oversight recommendations, including the Joint Inspection Unit's (JIU) recommendations; (iii) ensuring a fully-functioning ethics office; (iv) promoting transparency with the publication of reports of the Ombudsperson; and (v) enhancing the dialogue with Management. Additionally, the Committee gave advice to: (i) ensure that the internal oversight workplan was better aligned with the Medium-Term Strategic Plan; (ii) encourage a shift to more strategic and corporate-level evaluations; (iii) improve audits of offices by going beyond financial and administrative compliance, and including performance reviews; and (iv) strengthen the external audit process by ensuring that the planning, performance and reporting fully corresponded to the external audit mandate. The members were satisfied that they have effectively discharged their mandate.

IAOC Terms of Reference

12. In 2022, the previous membership of the Committee discussed proposed changes to the ToR to reflect the recommendations by the JIU, the evolving practices within the UN system, and the IAOC's own experience. Specific items were discussed with the Secretariat and a first draft was informally shared with the Group Coordinators. At the 68th session, the Committee took up

this pending matter, deliberated on each point and came to a consensus, taking into account comments from the Secretariat and first round of comments by the Group Coordinators. A revised draft was presented to the Group Coordinators for comments. The final draft will be presented at the 36th session of the PBC.

III. MATTERS DISCUSSED AND REVIEWED

A. Internal Oversight

Internal Oversight Plan

13. The Committee reviewed the implementation of the 2022 Oversight Annual Workplan, based on quarterly IOD Activity Reports submitted for each session. Regarding the 2023 Oversight Annual Workplan, the Committee considered it to be well-elaborated and noted that it was better aligned to the Medium-Term Strategic Plan, and that IOD was engaged in extensive consultations prior to its development.

Internal Audit

14. During the reporting period, the Committee reviewed, together with IOD and Management, two audit reports and one combined audit and evaluation report. These were published in unredacted format on the WIPO website, in line with IOD's Report Publication Policy (IOD/PP/2017).

- Audit Report – Audit of Individual Contractor Services and Temporary Employment Agencies (IOD Ref: IA 2022-01)
- Review of the WIPO Japan Office (IOD Ref: IA 2022-02)
- Report - Combined Audit and Evaluation of the Office of the Legal Counsel (IOD Ref: IA 2022-04)

Evaluation

15. During the reporting period, the Committee reviewed, together with IOD and Management, one evaluation report and one advisory report:

- Revised Validation Methodology for the WIPO Performance Report (IOD Ref: EVAL 2021-06)
- Advisory Report – Behavioral Science Intervention to Increase the Use of Evaluation Recommendations in Intellectual Property and Development Programs (IOD Ref: EVAL 2022-04)

Investigations

16. In accordance with the Internal Oversight Charter, at each session the Committee was apprised on the status of investigation cases and caseload trends, providing a breakdown of complaints received and complaints substantiated by category of misconduct. In all cases involving a potential conflict of interest on the part of IOD, the Committee reviewed each case in detail and provided advice accordingly.

17. At the 68th session of the Committee, IOD reported that, as of March 9, 2023, there were 23 pending investigation cases, five of which were under preliminary evaluation, eight

under full investigation and 10 cases on hold. The Committee noted that four of the 23 pending cases were registered in 2021, 13 in 2022 and six in 2023.

18. Also, at its 68th session, the Committee discussed the appropriateness of the Investigation Section undertaking one investigation case for a Geneva-based UN organization because of resource implication on IOD.

19. During the reporting period, one Management Implication Report was issued, pertaining to the clarification of obligations applying to staff members with regard to residence in the duty station area.

B. External Audit

20. During the reporting period, the Committee met with the representatives of the External Auditor, National Audit Office (NAO), United Kingdom, including in private sessions. The Committee commented on the audit approach for the 2022 audit of WIPO's Financial Statements. The Committee again inquired what work would be conducted by the External Auditor to support the opinion on the regularity thereof, as the planning document presented to the Committee did not elaborate on that aspect and was focused only on the opinion on the fairness of the presentation of Financial Statements. The representatives explained that the audit approach they took was the same as all auditors in the UN system. In terms of the 2022 interim audit outcomes, the Committee took note of the response that there was nothing of significance to be brought to the attention of the Committee by the External Auditor. During its 68th session, the Committee confirmed the timelines as to when the External Auditor would make the final Audit Completion Report and draft long-form audit report available to enable the IAOC to review the audit reports prior to submission to the PBC, as per its mandate.

C. Financial Reporting

2022 WIPO Financial Statements

21. At its 68th session, the Committee was briefed by the Director, Finance Division on the draft 2022 Statement of Financial Performance and Statement of Financial Positions, explaining the significant changes in year 2022 compared to year 2021. The Committee also had an extensive discussion on investments with the Treasurer, considering the prior year's performance and current economic conditions. The Committee looked forward to more in-depth discussions regarding investments of WIPO, including the investment governance framework. The Committee provided some suggestions which were timely in view of the upcoming internal review of the investment governance.

D. Risk Management and Internal Controls

22. During the 66th and 67th sessions, Management provided the Committee with updates on the risk management and internal control processes in WIPO. At the 66th session, Management described the evolution of the risk and control framework from 2008, when there was just an inherent and informal knowledge of risks, up to the present day, where a formal Enterprise Risk Management (ERM) is engrained in the daily operations of WIPO and is continually being improved. The full accountability framework was presented, starting with the entity-level controls down to process and transaction controls. Moreover, the Management Team described the evolution of the preparation of WIPO's Statement of Internal Control. The Committee noted the progress made on the risk management processes and welcomed its further development.

23. Based on the comprehensive presentation of the Management Team, the Committee noted that the Internal Control Systems in WIPO were rated at a mature level. Furthermore, the Committee concluded that the internal control documentation was in a well-advanced stage and duly monitored by the Secretariat (Department of Program Planning and Finance), following an accepted methodology in line with the COSO framework and progressively relying on data analytics.

24. At the 67th session, the Committee took note of the reassessments done by the Risk Management Group, whereby some organizational risks were downgraded, and others upgraded. The Committee appreciated the ERM system and processes in WIPO. The Committee reminded Management to closely monitor reputational and cybersecurity risks to the Organization.

Security and Information Assurance

25. During its 66th session, the Committee was provided with an update by the Chief Security Officer, Security and Information Assurance Division, noting that the last update given was during the Committee's 58th Session in 2020. The Chief Security Officer highlighted that the Organization was going through several transformations and that terrorism and data breach risks continued to rank high on WIPO's enterprise risk heat map.

26. The Committee inquired into the Chief Security Officer's role in the Risk Management Group, nature and number of actual incidents, the long-term strategic (physical) security plan, and the next generation information security strategy. The Committee took note of the information assurance strategy and the information security capabilities completed so far. In conclusion, the Committee noted that the security and information assurance function was considered to be effective, fit-for-purpose and of a high maturity level, and aligned with the prevailing standards. The Committee found the segregation of the security and information assurance function from the information technology function appropriate and must be maintained by WIPO to avoid conflicts of interest. The level of authority of the Chief Security Officer must also be maintained to ensure the effectiveness of the function.

Procurement

27. During its 66th session, the Committee was provided with an update by the Director, Procurement and Travel Division, noting that the last update was presented to the Committee at its 58th Session in 2020. The Director highlighted the measures undertaken since 2020 to increase procurement efficiency. The changes to the general framework for procurement were also presented to the Committee. In addition, some procurement statistics, such as amount and volume of manual and automatic purchase orders and lead times to process purchase requisitions were presented. The Director emphasized the cost savings from negotiations and collaborative procurement as well as the key achievements since 2020.

28. The Committee followed up on the vendor sanction policy, sustainable procurement, collaborative procurement, standardization, increasing IT-related contracts, and electronic signatures. The Committee noted that there were no outstanding audit recommendations relating to procurement.

E. Implementation of Oversight Recommendations

29. In all the sessions during the reporting period, the Committee reviewed with IOD the implementation status of all oversight recommendations. The Committee took note of movements and closures, paying particular attention to high-priority recommendations and those that had remained outstanding for a long time.

30. At its 66th session, the Committee reiterated the need to implement long outstanding recommendations. The Committee further noted that this concern was also similarly expressed by some Member States. The Committee highlighted the risk of delayed implementation, the need to clarify the criteria for closing recommendations, and the methodology for following up on recommendations. The Secretariat expressed its renewed commitment to address, by year end, all respective outstanding recommendations. The Committee also appreciated the personal involvement of the Director General in this regard.

31. In order to address the issue of having many long outstanding audit recommendations, the Office of the Controller developed a training module to increase managers' awareness of the audit process and to encourage more engagement with the auditors. The Office of the Controller provided the Committee with a detailed presentation of the proposed content of the training module, which was an initiative that would be beneficial for the Organization.

32. At its 67th session, the Committee noted the progress made, as well as ongoing efforts to close aged recommendations through collaboration between IOD and various sector managers concerned. This was also facilitated by the Townhall meetings and mandatory training initiated by the Office of the Controller. At its 68th session, the Committee continued to note the substantial progress on the implementation of recommendations. Overall, the Committee was satisfied with the follow-up process.

33. For transparency in reporting and to enable better management of the follow-up process, in its 68th session the Committee suggested that, whenever the implementation date was revised, this process be documented and supplemented with information on the original implementation date. Since the audit software only showed the last revised implementation date, the Committee suggested that additional information be noted in the IOD quarterly Memorandum on Open Recommendations.

34. At its 66th session, the Committee suggested a consolidated presentation of all oversight recommendations, including those of the Joint Inspection Unit and the Ombudsperson. At the following 67th session, IOD included in their report 18 JIU recommendations, which were being followed up by the Office of the Controller.

F. Ethics and Ombudsperson

Ethics Office

35. The Committee reviewed the update on the implementation of the 2022 workplan of the Ethics Office and noted that a substantial and unforeseen level of some activities had reduced the time available to the Chief Ethics Officer to address other planned activities. There was also an increased number of consultations regarding outside activities. The Committee encouraged the Chief Ethics Officer to continue to implement the workplan, focusing on those activities with greatest impact. Regarding staff resources, the Committee suggested exploring possibilities with the Human Resources Management Department to use available and qualified staff who might wish to take on a temporary assignment in the Ethics Office.

36. At its 67th session, the Committee reviewed an update that was provided by the Chief Ethics Officer on: (i) the launch of the mandatory ethics training that had reached 70 per cent

compliance in the Organization; (ii) the termination of the contract with the third-party provider that was dealing with financial disclosure, which would instead be performed using an in-house software starting in 2023; and (iii) the unexpected surge in the number of requests for advice that impacted on the achievement of the 2022 workplan. While appreciating the Chief Ethics Officer's achievements, the Committee advised her to closely monitor the 2023 workplan, considering the capacity of the Office. The Committee encouraged the Chief Ethics Officer to do some research regarding outside activities and to formulate a review process that would be practical for WIPO. The Committee welcomed the report by the Chief Ethics Officer but was concerned that she might be overburdened with the extra work assigned to her office resulting from consultations on outside activities by staff. In terms of resources, the Committee was pleased to note that the Ethics Office would be able to engage a consultant to assist in developing policies, pertaining to conflicts of interest, gifts, and outside activities.

37. At its 68th session, the Committee was updated by the Chief Ethics Officer on the implementation of the 2023 workplan. The Committee inquired further into the policy on protection against retaliation and how it was being implemented in WIPO. The Committee also followed up on the mandatory ethics training and advised the Chief Ethics Officer to coordinate with the External Auditor regarding the latter's question on the compliance rate. The Committee noted the policies currently being developed regarding gifts and outside activities.

Ombudsperson

38. At its 66th session, the Ombudsperson presented his activity report for 2021 and some updates for 2022 to the Committee. The reports are now publicly available on the WIPO website, following the Committee's recommendation. The Committee discussed the need to continue to communicate the change in the Organization towards a human-centered organizational culture, with efficiency and effectiveness in mind. The Committee was informed that the Ombudsperson position would be vacant after the incumbent's retirement at the end of February, 2023.

G. Other Matters

WIPO Investment Reports

39. As requested by Member States, Management submitted to the Committee at each of its sessions the available monthly Investment Performance Reports and the monthly Investment Monitoring Reports, prepared by the Investment Advisors and the Custodian, respectively. The Committee wishes to clarify that its role is limited to conveying to Member States the information contained in the monthly Investment Performance Reports and Investment Monitoring Reports and does not provide any assurances in that regard. As stated in paragraph 21 herein, the Committee also recommended a review of the governance framework for managing WIPO's investment portfolios.

40. Regarding the periodic reviews of the monthly investment reports from May 2022 through to January 2023, the Committee confirmed that the information provided during the reporting period showed that, based on the investment market benchmark, all the vehicles in WIPO's investment portfolios 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, nor justified exceptions.

IV. CLOSING REMARKS

41. The Committee would like to express its appreciation to the Director General, the Secretariat staff, and the External Auditor, for their availability, clarity and openness in their

regular interaction with the Committee, and for the information provided. Finally, the Committee is grateful for the time provided by the Chair of the WIPO General Assembly and the Chair of the Coordination Committee during the IAOC's 68th session.

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