

WIPO Independent Advisory Oversight Committee

Fifty-Seventh Session
Geneva (Virtual), June 29 to July 3, 2020

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION

1. Due to the ongoing Covid-19 pandemic, the 57th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place virtually on June 29 to July 3, 2020. Present were Mr. Mukesh Arya (Chair), Ms. Tatiana Vasileva (Vice-Chair), Messrs. Igors Ludboržs, Bert Keuppens and Othman Sharif. Ms. Maria Vicien-Milburn and Mr. Zhang Long were unable to participate and sent apologies for their absence.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

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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: CONFLICT OF INTEREST DECLARATION

3. 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 SESSIONS

4. The 56th session was held on a virtual platform over two days which proved insufficient to deal with all the items requiring the attention of the Committee. As a matter of necessity, the members considered some of the issues through offline reviews.

- (a) The Ethics Office Workplan 2020 and Implementation Table as per April 20, 2020, were reviewed separately and written comments were compiled and sent immediately after the 56th session to the Chief Ethics Officer for response. The Chief Ethics Officer provided responses belatedly on June 25, 2020, due to personal reasons. Nevertheless, these were considered during the 57th session and appropriately reflected under Agenda Item 12: Ethics.
- (b) The establishment of an enlarged roster of IAOC investigators was acted upon and the Internal Oversight Division (IOD) was requested to prepare the Terms of Reference which, in turn, was reviewed offline by the Committee and approved for further action by IOD. The process of inviting Expressions of Interest is now under implementation.
- (c) The scheduled in-person meeting with the Chairs of the WIPO General Assembly and of the WIPO Coordination Committee did not take place during the 56th session. Instead, the Chair and Vice Chair of IAOC interacted with them on virtual platforms to discuss issues which needed consultation.

AGENDA ITEM 4: MEETING WITH THE DIRECTOR GENERAL

5. The Director General briefed the Committee on the current activities of the Organization, particularly in the context of the ongoing Covid-19 pandemic and the imminent transition to the new Director General.

AGENDA ITEM 5: INTERNAL OVERSIGHT

Annual Report of the Director IOD, 2019

6. The Committee reviewed the draft Annual Report of the Director, IOD, sent by email before the current session, and noted that IOD had modified its annual reporting period to align with that of the Financial Statements and Statement on Internal Control (January to December),

following the recommendation from the External Auditor. The draft 2019 Annual Report covered July to December 2019, thereby allowing IOD to adjust the subsequent annual reporting period to cover the full year from January to December. The Committee took note of the draft and provided comments to IOD to enable them to finalize and submit the report to the Program and Budget Committee and to the WIPO General Assembly.

IOD Activity Report

7. The Committee discussed with the Director, IOD, the quarterly Activity Report dated June 17, 2020. The Committee took note of the two engagements which were in draft reporting stage (WIPO Assurance Mapping and Validation of the 2018/2019 WIPO Performance Report) and expressed interest in receiving the final reports. The Committee enquired about the aging of the 118 recommendations and was assured that there were no high priority recommendations that were issued before 2017. The Committee suggested that information on aging of all recommendations, which is being done by IOD, be also added to future activity reports, as this information is also useful as a performance indicator.

Audits

8. The Committee, together with IOD and Management, reviewed the Report on the Audit and Integrity Review of the Staff Benefits and Entitlements (IA 2019-04), issued on February 18, 2020. IOD noted several positive developments in the management of staff benefits and entitlements, particularly the WIPO Staff Regulations and Rules (SRR) and Office instructions which are reasonably aligned with good practices within the UN system. The audit resulted in six recommendations, two of which were rated high-priority. The Committee took note of the two high priority recommendations addressed to the Human Resources Management Department (HRMD) about updating the SRR on Language Allowance and the Office Instruction on Home Leave. The Director, HRMD, confirmed to the Committee that she accepted the recommendations and would implement them and, in doing so, would also engage with other UN agencies to avoid duplication of benefits to staff members with spouses also working in the UN system.

9. The second audit report reviewed by the Committee together with IOD and Management was the Report on the Audit of Financial Closure Process (IA 2019-03), issued on December 24, 2019. IOD noted several positive developments in the overall Financial Closure process in WIPO. Nevertheless, it identified opportunities to further enhance the management of the Procure-to-Pay cycle. The audit resulted in four recommendations, one of which was rated high priority. The Committee asked why the main report focused only on Accounts Payable, and IOD explained that this area was where improvements were needed. The Committee was happy to note that no significant issues were found in closing processes concerning revenues, receivables, assets, personnel expenses and related liabilities, treasury and investments, and provisions. The Committee also noted that Management, while acknowledging that the financial closure process was not a high risk area for them, was appreciative of the recommendations for improvement that were identified by IOD.

10. The Committee drew the attention of the Director, IOD, to the need to make the reports more user-friendly and to ensure that they indicated explicitly how audit objectives had been achieved. Likewise, it would help the auditor and the reader to understand if audit objectives are clearly achieved. The Committee would like to advise IOD to consider revisiting its way of presenting audit findings and reporting audit results by showing clear links to the established audit objectives.

11. The Committee was pleased to note that there was coordination between IOD and the External Auditor on oversight activities.

Evaluations

12. The Committee, together with IOD and Management, reviewed the Report on the Evaluation of Program 32, The Lisbon System (EVAL 2019-05), issued on March 9, 2020. The System facilitates the registration of appellations of origin and geographical indicators at the international level. The Committee took note that this was adopted in 1958 and had undergone numerous strategic transformations. The evaluation concluded that the Lisbon System was relevant to the Organization and the needs and requirements of Member States. The evaluation resulted in three recommendations, two medium priority and one high priority. Recognizing the importance of the International Register, the Committee focused on the high priority recommendation regarding the need to develop a restructured Information Technology system for the whole registration process that would minimize and/or eliminate manual operations.

13. The second evaluation report reviewed by the Committee together with IOD and Management was the Report on the Evaluation of Program 17, Capacity Strengthening on Building Respect for Intellectual Property (EVAL 2019-03), issued on March 31, 2020. The evaluation of Program 17 was limited only on the expected result III.2 “Enhanced human resource capacities able to deal with the broad range of requirements for the effective use of intellectual property for development in developing countries, least developed countries, and countries with economies in transition.” The Committee took note of the conclusion and two recommendations. The Committee advised IOD that, in future, in evaluating the effectiveness of a training program, more emphasis should be given to the outcome and impact of the training on capacity development and how learnings are used by the Member States. The Committee also drew the attention of IOD to the need to formulate evaluation questions that may allow clear linkage to specific conclusions.

Investigations

14. The Committee was briefed on the status of investigation cases. Since its last session, four new cases were opened, and six cases were closed after a preliminary evaluation. There was no instance where allegations were substantiated. As of June 15, 2020, there were 10 pending investigation cases, of which one was under preliminary evaluation, six under full investigation and three cases on hold. The Committee noted that of the 10 pending cases, one was registered in 2016, five in 2019 and four in 2020.

15. The Committee deliberated on a few pending cases and provided advice.

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

AGENDA ITEM 6: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

17. The Committee, together with IOD and Management, reviewed the status of implementation of oversight recommendations as of June 15, 2020. Since the 56th session, the Committee noted a reduction of 12 recommendations from previously 130 recommendations. Of the remaining 118 recommendations, 37 (or 31 per cent) were of high priority. Of the 12 closed recommendations, seven pertained to IOD and five to the External Auditor. One of the seven IOD recommendations was dated 2013 and two were from 2016. Asked whether priority ranking remained unchanged, IOD explained that during their periodic reviews of the implementation status of recommendations with program managers, the priority is re-assessed and revised, if warranted.

18. The Committee took note of 21 recommendations pertaining to three programs and enquired why these recommendations remained unimplemented. The Committee considered

inviting the Program Managers to future meetings to give them the opportunity to explain the implementation status of program-related recommendations, as this would be a more effective follow-up method on implementation of those recommendations.

AGENDA ITEM 7: REVIEW OF THE JOINT INSPECTION UNIT (JIU) RECOMMENDATIONS

19. The Committee reviewed the implementation status of 38 recommendations of the Joint Inspection Unit (JIU) addressed to the Executive Heads of JIU Participating Organizations. These recommendations pertained to 11 JIU reports (five dated 2019, two dated 2018, three dated 2016 and one dated 2012).

20. The Committee noted that, as at end of May 2020, 21 (or 55 per cent) of the 38 recommendations were reported as “implemented”, 10 (or 26 per cent) were reported as “in progress”, two (or 5 per cent) were reported as “not started” and four (or 10.5 per cent) had no reported status as they were considered not relevant to WIPO. Furthermore, of the 38 recommendations, the Committee took note of the change in the implementation status of six recommendations (four moved from “in progress” to “implemented”, one moved from “not started” to “in progress”, and one moved from “not started” to “implemented”). The Committee noted that the implementation status of eight of the 38 recommendations needs further clarification from Management. The Committee shall seek specific input on these recommendations in due course.

AGENDA ITEM 8: FINANCIAL REPORTING – ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2019

21. The Committee, together with Management, reviewed the Financial Statements 2019. The Committee noted that WIPO had a successful financial period in 2019, with a retained surplus of Swiss Francs 97.7 million. Net assets increased to Swiss Francs 364.2 million. Revenues increased to Swiss Francs 457.0 million, driven by higher demand for publications through the Patent Cooperation Treaty and Madrid System. Expenditures increased to Swiss Francs 401.5 million, driven largely by increases to staff costs resulting from the judgment made by the International Labour Organization Administrative Tribunals and changes to the basis of estimation for post-employment benefits.

22. The Committee welcomed all the additional disclosures, including those made in view of the Covid-19 pandemic, in the Financial Statements 2019 and was satisfied with all explanations provided by Management. Management assured the Committee that the Organization was financially stable and had no decline in revenue during 2019. However, the impact of the pandemic and the consequent crisis in the global economy meant that WIPO’s financial indicators might be affected in future periods. The Committee had been informed by Management that all the activities of WIPO were being supervised properly to mitigate the risk influenced by Covid-19.

23. The Committee continues to be impressed with the quality of the annual Financial Report and the Financial Statements on a consistent basis year after year and appreciates the efforts of the Management Team.

AGENDA ITEM 9: EXTERNAL AUDIT – REPORT OF THE EXTERNAL AUDITOR

24. The Committee took note of the presentation of the representatives of the External Auditor, National Audit Office (NAO), United Kingdom, and discussed with them the External Auditor’s Report on the 2019 WIPO Financial Statements and corresponding Audit Completion Report on the 2019 WIPO Financial Statements Audit. The Committee noted that WIPO had obtained unqualified audit opinions on the Financial Statements and on regularity. The External Auditor’s Report underlined governance and internal control as essential mechanisms for

Management and Member States and confirmed that positive developments in analytical techniques and business intelligence tools took place within 2019. The External Auditor acknowledged the importance of WIPO's Statement on Internal Control and recommended further development of the Statement by providing greater prominence on areas to be enhanced and by looking to future risks. The Committee was satisfied that during 2019, WIPO made advances in fraud prevention and detection, delivering 15 of 17 objectives in its Anti-Fraud Road Map.

25. The Committee noted that, according to its annual plan, the External Auditor undertook a review of WIPO's strategy for its External Offices and considered how those fit within the results framework. The Committee noted that the report contained six recommendations for consideration by Management. The Committee was pleased to note that the review was aimed to support the Program and Budget Committee in the development of the future Terms of Reference for the evaluation of the External Offices, as required by the resolution of the WIPO General Assembly in 2015. The External Auditor expressed its willingness to contribute to reviewing the draft Terms of Reference, if requested.

26. The Committee discussed the External Auditor regularity opinion and suggested that the basis of opinion related to the financial regulations could be more clearly and explicitly enunciated. The representatives of the External Auditor agreed to discuss this more widely with colleagues on the UN Panel of External Auditors and consider amendment for the audit of 2020 WIPO Financial Statements. The External Auditor confirmed that the audit provided material assurance in respect of the regularity of transactions in accordance with the requirements of the WIPO Financial Regulations and that during the work no testing identified any issues of irregularity.

27. In accordance with its Terms of Reference, the Committee met in a private session with the representatives of the External Auditor.

28. The Committee commends the External Auditor on the quality of the report and looks forward to continued interaction.

AGENDA ITEM 10: UPDATE ON RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

29. The Committee was extensively briefed by Management of WIPO's current developments in Risk Management and Internal Control. The Committee appreciated the proactive steps taken by Management in relation to embedding the best practices of risk management into WIPO's activities.

30. The Committee advised that the Risk Appetite Statement be updated, considering circumstances driven by the Covid-19 pandemic. Furthermore, the Committee advised that the updating of Risk Appetite Statement be done periodically. Management agreed on the point raised and envisaged to take the necessary action. Noting that the Risk Culture on the risk maturity model was still at the evolving stage, the Committee also advised Management to monitor that dimension closely.

AGENDA ITEM 11: UPDATE ON HUMAN RESOURCES MANAGEMENT

31. The Director, Human Resources Management Department (HRMD) updated the Committee on HR management in WIPO. She discussed the WIPO Performance Report 2018/19 and specifically referred to gender balance in a diversified WIPO workforce drawn from 121 Member States. The Committee appreciated the progress in the achievement of gender parity target but agreed with WIPO that there was still work in progress in achieving the target for staff at P5 and D levels.

32. A comprehensive update was also provided in relation to WIPO's response to the pandemic. The Director reported that the HR Strategy for 2017-2021 had been adapted to the current environment. In this regard, two major policies, namely Time Management and Rewards and Recognition Program were highlighted. The former would be updated considering Covid-19 experience and the results of the staff survey. Regarding the Rewards and Recognition Program, discussions were ongoing to consider reducing the amount of individual rewards and linking rewards to the performance system with a view to giving more rewards to more staff. With the imminent arrival of the new Director General, the Director, HRMD, anticipated more policy changes.

33. While recognizing that there was some uncertainty about the full impact of the COVID-19 pandemic on the Organization and staff, the Committee felt assured that HR management systems were in place to monitor lessons learned from current remote working arrangements to retain the agility of the Organization. The Committee was also given details on the transition phase of staff returning to the workplace, including possibilities of permanent changes to the work environment. The Committee was assured that any permanent change in the working environment would be implemented cautiously and managed properly.

34. The Committee was also assured that the Staff Council was being consulted on several HR matters. These consultations proved helpful in the successful handling of the crisis brought on by the pandemic.

35. While highlighting major challenges to WIPO from an HR management perspectives, the Director, HRMD, referred to: (i) the need for the workforce to have appropriate skills to cope with growing digitalization, and (ii) the need to recruit staff with appropriate language skills to deal with patent-specific caseload from the Asian Region.

36. The Committee appreciated the excellent presentation and responses provided by the Director, HRMD.

AGENDA ITEM 12: ETHICS – ANNUAL WORKPLAN AND PROGRESS REPORT

37. As stated in the 56th Session Report of the Committee (WO/IAOC/56/2), the final Ethics Office Workplan 2020 and Workplan Implementation Table as to April 20, 2020 were received and the Committee agreed to review these offline. The review questions were provided by email to the Chief Ethics Officer in early May 2020, and the responses were received in June 2020, a few days before the start of the current session.

38. The Committee noted that the review of the Financial Disclosure and Declaration of Interests was ongoing and that the exercise was expected to be completed by August 2020. Regarding the progress report, the Chief Ethics Officer gave an oral update on the activities of the Ethics Office. The Committee also noted that after the conclusion of the meeting, the Chief Ethics Officer submitted the updated Workplan Implementation Table as to July 2, 2020.

AGENDA ITEM 13: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

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

AGENDA ITEM 14: OTHER MATTERS

WIPO Investment Reports

40. Management submitted to the Committee the Investment Performance Reports and the Investment Monitoring Reports for April and May 2020, prepared by the Investment Advisors and the Custodian, respectively.

41. 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. As reported in the 56th Session, no changes in the investment policy have been made despite the Covid-19 pandemic.

Next Session

42. As the next session scheduled to take place from Tuesday, September 1 to Friday, September 4, 2020 will most likely be in a virtual format because of the continuing pandemic situation, the Committee revisited its rolling agenda. 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) Internal Oversight
- (6) Review of Pending High-Priority Audit Recommendations, including JIU Recommendations
- (7) Risk Management and Internal Control: 2019 Annual Risk Management Report
- (8) Update on Security and Information Assurance
- (9) Update on Procurement
- (10) External Audit: Audit Planning Report
- (11) Ethics: Ethics Office Annual Report 2019 and 2020 Workplan Implementation Update
- (12) Ombudsperson: Activity Report for 2019
- (13) Other Matters

[Annexes follow]



WO/IAOC/57/1
ORIGINAL: ENGLISH
DATE: AUGUST 17, 2020

WIPO Independent Advisory Oversight Committee

Fifty-Seventh Session
June 29 to July 3, 2020

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 IOD Annual Report
6. Follow-up on Oversight Recommendations
7. Review of the Joint Inspection Unit (JIU) Recommendations
8. Financial Reporting: Annual Financial Report and Financial Statements 2019
9. External Audit: Report of the External Auditor
10. Update on Risk Management and Internal Control Framework
11. Update on Human Resources Management
12. Ethics: Annual Workplan and Progress Report

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13. Information Meeting with Member States' Representatives
14. Other Matters

[Annex II follows]



WO/IAOC/57/INF/1
ORIGINAL: ENGLISH
DATE: AUGUST 17, 2020

WIPO Independent Advisory Oversight Committee

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LIST OF DOCUMENTS

ITEM 1: ADOPTION OF THE AGENDA

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

ITEM 2: CONFLICT OF INTEREST DECLARATION

No document: Oral account.

ITEM 3: MATTERS ARISING FROM PREVIOUS SESSIONS

No document: Oral account.

ITEM 4: MEETING WITH THE DIRECTOR GENERAL

No document: Oral account.

ITEM 5: INTERNAL OVERSIGHT

Internal Oversight Division:

- [04] IOD Activity Report – June 17, 2020 (Reference: IOD-IAOC-2020/02)
- [05] Draft Annual Report by the Director of the Internal Oversight Division – July 21, 2020 (Reference: WO/GA/53/2)

Audit:

- [06] Audit of the Audit of the Financial Closure Process, December 24, 2019 (Reference: IA 2019-03)
- [07] Table of Recommendations – Audit of Financial Closure Process
- [08] Audit and Integrity Review of Staff Benefits and Entitlements, February 18, 2020 (Reference: IA 2019-04)

Evaluation:

- [09] Evaluation of Program 32, The Lisbon System, March 9, 2020
(Reference: EVAL 2019-05)
- [10] Evaluation of Program 17, Capacity Strengthening on Building Respect for Intellectual Property, March 31, 2020 (Reference: EVAL 2019-03)

Investigation:

ITEM 6: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

- [11] Open Oversight Recommendations, June 18, 2020

ITEM 7: REVIEW OF THE JOINT INSPECTION UNIT (JIU) RECOMMENDATIONS

- [12] Joint Inspection Unit (JIU) Recommendations addressed to Executive Heads of JIU Participating Organizations – Status as at end May 2020 (Executive Heads Recommendations) May 2020
- [13] Progress Report on the Implementation of the Joint Inspection Unit's (JIU) Recommendations (Legislative Bodies Recommendations) June 15, 2020 (document WO/PBC/31/5)

ITEM 8: FINANCIAL REPORTING – ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2019

- [14] Annual Financial Report and Financial Statements 2019, June 2020

ITEM 9: EXTERNAL AUDIT – REPORT OF THE EXTERNAL AUDITOR

- [15] Audit Completion Report on the 2019 Financial Statements Audit, June 2020
- [16] External Auditor's Report on the 2019 WIPO Financial Statements – (*version submitted for approval by C&AG, not yet formally certified*) (June 26, 2020)

ITEM 10: UPDATE ON RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

- [17] Update on Risk Management and Internal Control Framework (PowerPoint)
- [18] WIPO Accountability Framework, (document WO/PBC/29/4, March 18, 2019)

ITEM 11: UPDATE ON HUMAN RESOURCES MANAGEMENT

- [19] Update on HR Management, June 2020 (PowerPoint presentation)

ITEM 12: ETHICS – ANNUAL WORKPLAN AND PROGRESS REPORT

- [20] Ethics Office Workplan 2020, and Implementation Schedule – April 21, 2020
- [21] Workplan Implementation Table as per 2 July 2020

ITEM 13: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

No document: Oral account.

ITEM 14: OTHER MATTERS

- [22] Report – Fifty-Sixth Session (WO/IAOC/56/2)
- [23] Report by the WIPO Independent Advisory Oversight Committee (IAOC) – (WO/GA/53/2), June 19, 2020
- [24] IAOC Rolling Agenda, 56th to 59th Sessions
- [25] Office Instruction No. 7/2020 “WIPO Information Security Policies Framework”, April 28, 2020
- [26] Office Instruction No. 8/2020 “WIPO Policy on Access to Information Assets”, April 28, 2020
- [27] Office Instruction No. 9/2020 “WIPO Acceptable Use Policy”, April 28, 2020
- [28] Office Instruction No. 18/2020 “Establishment of WIPO Timestamping Policies and Procedures Board”, April 28, 2020

Investment Reports:

- [29] Credit Suisse – Investment Monitoring Reports for April and May 2020
- [30] MBS Capital Advice – Investment Performance Reports for April and May 2020

[End of Annex II and of document]