

WIPO Independent Advisory Oversight Committee

Fifty-Ninth Session
Geneva (Virtual), December 7 to 11, 2020

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION

1. Due to the ongoing COVID-19 pandemic, the 59th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place virtually from December 7 to 11, 2020. Present were Mr. Mukesh Arya (Chair), Ms. Tatiana Vasileva (Vice-Chair), Ms. Maria Vicien-Milburn, Messrs. Bert Keuppens and Igors Ludboržs. Messrs. Zhang Long and Othman Sharif 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 SESSION

4. The Committee took stock of the actions carried out following the decisions taken at its 58th session.

AGENDA ITEM 4: MATTERS ARISING FROM PROGRAM BUDGET COMMITTEE, WIPO GENERAL ASSEMBLY AND COORDINATION COMMITTEE SESSIONS

5. The Chair apprised the Committee of the results of the 31st Session of the Program and Budget Committee (PBC), held from September 7 to 11, 2020. His presentation of the Committee's Annual Report (document WO/PBC/31/2) was well received. From the sessions in which he participated, he also identified possible items that could be considered by the Committee in its Rolling Agenda. One such item was already included in the 59th Session (see Agenda 10, Briefing by the Chief Economist on Projections/Forecasting of WIPO Financial Results). Other possible items pertain to, *inter alia*, the Capital Master Projects.

6. The Chair brought to the notice of the Committee that both he and the Vice Chair were not allowed access to the WIPO Coordination Committee session, contrary to its right and despite having been registered for participation. The matter was also raised with the Secretariat.

AGENDA ITEM 5: MEETING WITH THE DIRECTOR GENERAL

7. The new Director General, Mr. Daren Tang, met with the Committee and had an open and candid exchange.

8. The Director General acknowledged the important role of the Committee in ensuring good governance in WIPO. The Committee expressed its desire of having a good working relationship with the Director General. As a subsidiary of the WIPO General Assembly and of the PBC, the Committee also acknowledged the importance of having good cooperation with Management and the new Director General.

AGENDA ITEM 6: INTERNAL OVERSIGHT

2021 Annual Work Plan

9. The Committee reviewed with the Director, Internal Oversight Division (IOD) the draft 2021 Oversight Annual Workplan, which includes four audits, one evaluation, three evaluation advisories, one combined evaluation/audit and one evaluation advisory on Review of IOD WIPO

Performance Report (WPR) validation methodology. The Committee noted that the plan was developed in line with good practices, including an IOD risk assessment that considered corporate risk registers, the Risk Management Group Report, a meta-evaluation synthesis of IOD evaluations, inputs from Senior Management, key stakeholders, and Member States. The Committee also noted that IOD considered the workplan of the External Auditors. Keeping in view the strategic plans of the new Director General, the Committee advised the Director, IOD to be proactive in discussions with other departments and in coming up with possible suggestions to the Director General about potential areas for improvement.

IOD Activity Report

10. The Committee discussed with the Director, IOD and his team, the quarterly Activity Report of November 24, 2020. The Committee took note of two reports during the quarter, consisting of one engagement report (Review and Update of the IOD Annual Planning Development Cycle) and one evaluation advisory (*Ex-Ante* Evaluation of the Regional Bureau for Asia and the Pacific Framework for Technical Cooperation). The Committee expressed interest in the results of the Audit of Cybersecurity Management and Crisis Management during the Pandemic, both of which are in the planning stage. The Committee also noted the increasing number of audit and evaluation advisories, which IOD explained to be due to increasing demand because of their added value. IOD confirmed that advisories are part of their mandate per the IOD Charter.

11. The Committee also took note that some planned in-class trainings were moved to 2021 and that instead IOD identified online and other distance learning opportunities in view of the pandemic situation.

12. With regard to the Client Satisfaction Surveys, the Committee noticed the declining numbers and results from a post-assignment survey to a one-year-after survey. IOD explained that their criteria for sending out survey questionnaire after one year depends on whether the recommendations had been implemented and also to see the impact of the recommendations. IOD also shared their observation that some programs were not as responsive.

Internal Audit Engagements

13. The Committee, together with the Director, IOD and his team, reviewed the Report on the Review and Update of the IOD Annual Planning Development Cycle, issued on October 28, 2020. The Committee noted that there were no significant gaps identified and that the improvements for IOD have all been incorporated in the new Standard Operating Procedures on "IOD Annual Planning Development Cycle".

14. In addition, the Committee also reviewed the draft Internal Audit Policy, the updated Internal Audit Manual, and the revised Internal Oversight Division Publication Policy. The Committee had a good exchange with the IOD team on various aspects, such as the updated oversight universe, the required overall audit opinion, the increasing interaction with the second line of defense, their role in auditing ethics in the organization, the increasing advisory engagements of IOD, among others. The Committee provided advice and suggestions that were appreciated by the Director, IOD, who indicated that these would be taken into account in finalizing the policies and manuals.

15. The Committee again noted IOD's consistency in their efforts to continually enhance their internal audit function, following their own recommendations as a result of their periodic self-assessment and anticipating results of the external quality assessment.

Evaluations

16. The Committee, together with the Director, IOD and Management, reviewed the Report on the *Ex-Ante* Evaluation of the Regional Bureau for Asia and the Pacific (ASPAC Bureau) Framework for Technical Cooperation, issued on November 15, 2020. The Committee noted that this advisory report was the first of its kind by IOD since the evaluation took place before the implementation of the Technical Cooperation Framework of the ASPAC Bureau. The Committee further took note of the *ex-ante* evaluation's major outputs, consisting of the 10 project documents and technical framework for self-evaluation and self-monitoring. The evaluation resulted in five recommendations having medium priority.

17. Being the first *ex-ante* evaluation advisory, the Committee was interested in the process how the evaluation advisory was conducted by IOD, how the baseline data were gathered, how the distinction in the discipline could be seen in the report especially since this was a joint engagement with the ASPAC Bureau. The Committee asked if IOD would be extending similar evaluation advisory products to the other regional bureaus. Director, IOD indicated that considering the level of diversity in other regional bureaus, a different approach may be used.

18. The Committee congratulated the IOD for another new product with added value for the Organization.

Investigations

19. The Committee was updated on the status of investigation cases. Since its last session, four new cases were opened and three were closed after a preliminary evaluation. As of November 15, 2020, there were 11 pending investigation cases, of which one was under preliminary evaluation, five under full investigation, and five cases on hold. The Committee noted that of the 11 pending cases, one was registered in 2016, four in 2019 and six in 2020.

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.

AGENDA ITEM 7: REVIEW OF HIGH PRIORITY RECOMMENDATIONS

22. The Committee, together with the Director, IOD and Management, reviewed the status of implementation of oversight recommendations as of November 15, 2020. The Committee noted that 27 (or 28 per cent) of 98 outstanding recommendations were of high priority. Since the last IAOC meeting, there were seven new recommendations whereas 30 were closed. The Committee noted that 46 per cent of the closed recommendations were made between 2013 and 2015, and that 14 of the 30 closed recommendations were made in 2017. The Director, IOD added that this was the first time in years that the number of outstanding recommendations was at its lowest level with 98 recommendations. The Committee further noted that the overdue recommendations had significantly decreased from 47 to 8. The rest of the recommendations (that is, 90 of 98) were on schedule, mostly dating back to 2019 oversight engagements.

23. The Committee explored the causes of delay in the implementation of recommendations. It was noted that some were dependent on another event, such as further approvals by senior managers. Others involved cross sectoral collaborations among programs. The Committee advised that IOD revisit the long outstanding recommendations to determine which ones have already been overtaken by events and close them if found outdated.

24. The Committee was thankful for the presence of some program managers at the session, as suggested by the Committee in its 57th and 58th meetings, to review the outstanding

recommendations pending implementation. This resulted in better appreciation by Program Managers of the implementation status of recommendations as well as the identification of a number of recommendations that could now be closed, subject to the standard final review by IOD.

AGENDA ITEM 8: BRIEFING ON IMPACT OF COVID-19 AND RESPONSE OF WIPO

25. The Controller provided a briefing on the impact of COVID-19 pandemic and the response of WIPO. They presented the current financial situation, described the current global risk landscape, elaborated on the nine key COVID-related risks earlier presented to the Committee in its 58th session, and discussed the key mitigation actions undertaken by WIPO in response to the COVID-related risks. The Committee felt reassured with the thoroughness of the risk assessment processes, particularly in assessing the impact and likelihood of identified risks. The Committee also felt reassured of the effectiveness of the Risk Management Group and was pleased to note that the new Director General was very much engaged so soon after he was elected. The Committee likewise took note of the high level of maturity of the risk management system in WIPO, this being embedded in their management processes and not considered as a separate exercise. Because of this, WIPO was able to adequately address the risks relating to the COVID-19 pandemic.

26. The Committee was satisfied with the mitigation measures, the frequency of risk monitoring, and the engagement of the first line of defense. The Committee was appreciative of the excellent and comprehensive presentation and candid responses of the Controller.

AGENDA ITEM 9: FINANCIAL REPORTING – CHANGES IN ACCOUNTING POLICIES

27. The Finance Director briefed the Committee on accounting policy updates, describing the change in property thresholds, the accounting for WIPO Proof, WIPO Image Similarity Search and WIPO Translate. The Finance Director clarified that these last three were not accounting policy changes as such, but rather a consideration of the way in which Finance would apply the accounting policy, referring particularly to IPSAS 9 on “Revenue from Exchange Transactions”. WIPO is expecting revenues when their new products will be out in the market, namely WIPO Proof (an online service which generates a digital fingerprint of a digital file and that has already been launched), WIPO Image Similarity Search (a licensing agreement relating to the use of image classification algorithm to match similar images with the same/similar classification), and WIPO Translate (a licensing agreement relating to the automatic translation software for specialized text, based on narrow artificial intelligence, for translation of sentences in various language pairs). The WIPO Proof is currently sold in the form of a token worth CHF 20. The last two will involve the sale of a license allowing the use of the system.

28. The Committee noted that the specifics of these new products were still in a state of flux and that the Finance Director, who is coordinating with the Business Team, would refine and finalize the appropriate accounting considerations accordingly. The Finance Director took note of the advice provided by the Committee.

29. With regard to the changes in property capitalization thresholds, the Committee noted that the increase from CHF 5,000 to CHF 10,000 resulted in the retirement of 270 items of property with a net book value of CHF 358,367. The Committee also noted that the tracking limit of articles had been raised from CHF 1,000 to CHF 2,000. The Committee was assured that these increases in threshold did not increase any risk for WIPO. The Committee also appreciated the rationale for the increases in threshold since they were based on a cost-benefit analysis.

30. The Committee was thankful for the detailed presentation by the Finance Director.

AGENDA ITEM 10: BRIEFING BY THE CHIEF ECONOMIST ON PROJECTIONS / FORECASTING OF WIPO FINANCIAL RESULTS

31. The Chief Economist was invited to brief the Committee on how forecasting is done in WIPO, and in particular the revenue forecasting given the pandemic situation. He described the technical forecasting model that relies on a mixture of short-term and medium-term trends based on historical data. The Committee was informed that in order to check the accuracy of their forecast, they do a post-facto review and compare their forecast with subsequent actual events. With the COVID-19 pandemic, the Chief Economist shared that they suspended forecasting because of the high level of uncertainty. Instead, they observed and did closer monitoring, and resumed forecasting only in October. With uncertainty still up in the air, he expressed his hope that the crisis from the pandemic will soon be overcome. He indicated that it was not unreasonable to expect growth from the PCT System.

32. The Committee was thankful to the Chief Economist for the information and insight shared on forecasting in WIPO.

AGENDA ITEM 11: EXTERNAL AUDIT: 2020 AUDIT PLANNING REPORT

33. The Committee discussed with the representatives of the External Auditor, and with Management in attendance, the proposed approach for the audit of the 2020 WIPO Financial Statements. The representatives presented the plan to respond to the risks of material misstatement and material irregularity. They described how they have built their assessment of risk, what they based materiality on, their expected significant risks and their proposed response to those risks. The Committee inquired about the changes in property capitalization thresholds, and received assurance that those changes will have no material impact on the Financial Statements. The Committee was also pleased to note that the quality of evidence will continue to be ensured even with remote auditing due to the pandemic. The Committee was also assured that while one audit opinion will be issued on the Financial Statements in 2020, it will include appropriate wordings on regularity of financial transactions.

34. The Committee was also apprised of their plans for performance audits in three areas, namely, Governance, Capital Master Projects, and WIPO performance during the COVID-19 situation.

35. The External Auditor also explained that its fees will not be adjusted downwards despite the lower travel costs, since working in a remote fashion absorbed more hours to gather the required evidence.

36. The Committee was appreciative of the well-prepared presentation of the comprehensive audit plan for the 2020 External Audit.

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

AGENDA ITEM 12: ETHICS: PROPOSED 2021 ANNUAL WORKPLAN AND 2020 WORKPLAN IMPLEMENTATION UPDATE

38. The Committee was unable to meet with the Chief Ethics Officer. After waiting for 15 minutes for her to show up, the Committee decided to cancel this agenda item. Subsequent communication received pointed to a misunderstanding on the part of the Chief Ethics Officer.

AGENDA ITEM 13: ELECTION OF CHAIR AND VICE-CHAIR FOR 2021

39. The Committee elected Ms. Tatiana Vasileva and Mr. Bert Keuppens as Chair and Vice-Chair, respectively, for the year 2021.

40. The outgoing Chair, Mr. Mukesh Arya, expressed his gratitude to the Members for their contribution which enabled the Committee to fulfill its mandate and responsibilities even during trying times.

AGENDA ITEM 14: IAOC SELF-ASSESSMENT

41. In accordance with its Terms of Reference, the Committee conducted a self-assessment exercise of its activities. The Committee concluded that it was satisfied with the independent advisory and oversight functions carried out during the year 2020. The Committee collectively assessed that it had functioned effectively amidst the unprecedented circumstances.

AGENDA ITEM 15: 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 16: OTHER MATTERS

WIPO Investment Reports

43. Management submitted to the Committee the Investment Performance Reports and the Investment Monitoring Reports for August, September and October 2020, 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.

Next Session

45. The next session scheduled to take place in the first quarter of 2020 (date yet to be determined) will most likely 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) Internal Oversight (including Final 2021 Oversight Annual Workplan)
- (6) Review of High Priority 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

[Annexes follow]



WO/IAOC/59/1
ORIGINAL: ENGLISH
DATE: JANUARY 8, 2021

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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. Matters arising from the Program and Budget Committee, WIPO General Assembly and Coordination Committee Sessions
5. Meeting with the Director General
6. Internal Oversight
7. Review of Pending High-Priority Audit Recommendations
8. Impact of COVID-19 and Response of WIPO
9. Financial Reporting – Changes in Accounting Policies
10. Briefing by the Chief Economist on Projections/Forecasting of WIPO Financial Results
11. External Audit: 2020 Audit Planning Report
12. Ethics: Proposed 2021 Annual Workplan and 2020 Workplan Implementation Update
13. Election of IAOC Chair and Vice-Chair
14. IAOC Self-Assessment

15. Information Meeting with Member States' Representatives
16. Other Matters

[Annex II follows]



WO/IAOC/59/INF/1
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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: MATTERS ARISING FROM THE PROGRAM AND BUDGET COMMITTEE, WIPO GENERAL ASSEMBLY AND THE COORDINATION COMMITTEE SESSIONS

No document: Oral account.

ITEM 5: MEETING WITH THE DIRECTOR GENERAL

No document: Oral account.

ITEM 6: INTERNAL OVERSIGHT (INCLUDING 2021 ANNUAL WORKPLAN)

Internal Oversight Division:

- [04] IOD Activity Report – November 24, 2020 (Reference: IOD-IAOC-2020/04)
- [05] IOD Activity Report (Addendum, pages 7 & 10) – November 24, 2020 (Reference: IOD-IAOC-2020/04)
- [06] Internal Oversight Division (IOD) – Draft 2021 Oversight Annual Workplan (Reference: IOD/WP/2021/1), November 30, 2020
- [07] Review and Update of the IOD Annual Planning Development Cycle and Transmittal Memo (Reference: IA 2020-03) October 28, 2020

- [08] IOD Required Communications Checklist with the IAOC – 2020, December 1, 2020
- [09] IOD Policies and Procedures Update Pack (Memo, Publication Policy and Comparative Table), March 3, 2020

Evaluation:

- [10] The Evaluation Report – the *Ex-ante* Evaluation of the Regional Bureau for Asia and the Pacific Framework for Technical Cooperation, November 15, 2020 (Reference: EVAL 2020-04)

Investigation:

ITEM 7: REVIEW OF HIGH-PRIORITY OVERSIGHT RECOMMENDATIONS

- [11] Open Oversight Recommendations – November 15, 2020
- [12] Selected Programs IAOC Recommendations Review – November 24, 2020

ITEM 8: IMPACT OF COVID-19 AND RESPONSE OF WIPO

- [13] Powerpoint presentation: “Impact of COVID-19 and Response of WIPO”

ITEM 9: FINANCIAL REPORTING – CHANGES IN ACCOUNTING POLICIES

- [14] Powerpoint presentation: “Accounting Policies Update”, December 3, 2020

ITEM 10: BRIEFING BY THE CHIEF ECONOMIST ON PROJECTIONS/FORECASTING OF WIPO FINANCIAL RESULTS

No document: Oral account.

ITEM 11: EXTERNAL AUDIT: 2020 AUDIT PLANNING REPORT

- [15] Draft 2020 External Audit Planning Report, November 30, 2020

ITEM 12: ETHICS: PROPOSED 2021 ANNUAL WORKPLAN AND 2020 WORKPLAN IMPLEMENTATION UPDATE

- [16] Proposed 2021 Annual Workplan
- [17] 2020 Workplan Implementation Update at end November 2020

ITEM 13: ELECTION OF IAOC CHAIR AND VICE-CHAIR FOR 2021

No document: Internal discussion.

ITEM 14: IAOC SELF-ASSESSMENT

- [18] IAOC Self-Assessment Questionnaire (December 2020)

ITEM 15: INFORMATION MEETING WITH MEMBER STATES’ REPRESENTATIVES

No document: Oral account.

ITEM 16: OTHER MATTERS

- [19] Report – Fifty-Eighth Session (WO/IAOC/58/2)
- [20] IAOC Rolling Agenda, 60th to 63rd Sessions
- [21] “Appointment of Deputy Directors General and Assistant Directors General”, document WO/CC/79/2 – November 27, 2020

Investment Reports:

- [22] Credit Suisse – Investment Monitoring Reports for August, September and October 2020
- [23] MBS Capital Advice – Investment Performance Reports for August, September and October 2020