

## Program and Budget Committee

**Twenty-Seventh Session**  
**Geneva, September 11 to 15, 2017**

### ANNUAL REPORT BY THE DIRECTOR OF THE INTERNAL OVERSIGHT DIVISION (IOD)

*prepared by the Secretariat*

1. In accordance with paragraph 44 of the Internal Oversight Charter (IOC), the Director, Internal Oversight Division (IOD), shall submit, on an annual basis, a summary report to the WIPO General Assembly, through the Program and Budget Committee (PBC). The report shall give an overview on the internal oversight activities conducted during the reporting period July 1, 2016 to June 30, 2017.

2. The following decision paragraph is proposed.

3. *The Program and Budget Committee (PBC) took note of the “Annual Report by the Director of the Internal Oversight Division (IOD)” (document WO/PBC/27/4).*

[Annual Report by Director, IOD follows]

**ANNUAL REPORT BY THE DIRECTOR OF INTERNAL OVERSIGHT DIVISION**

July 1, 2016 to June 30, 2017

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**ANNEXES**

- ANNEX I – List of IOD reports
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**LIST OF ACRONYMS**

<b>AIMS HR</b>	Administrative and Information Management Systems' Human Resource
<b>CDIP</b>	Committee on Development and Intellectual Property
<b>CII</b>	Conference of International Investigators
<b>ER</b>	Expected Results
<b>ERM</b>	Enterprise Risk Management
<b>EQA</b>	External Quality Assessment
<b>FRR</b>	Financial Regulations and Rules
<b>HOIA</b>	Heads of Internal Audit in International Organizations in Europe
<b>HRMD</b>	Human Resources Management Department
<b>IAOC</b>	Independent Advisory Oversight Committee
<b>ICT</b>	Information and Communication Technology
<b>IIA</b>	Institute of Internal Auditors
<b>IOC</b>	Internal Oversight Charter
<b>IOD</b>	Internal Oversight Division
<b>IP</b>	Intellectual Property
<b>ISO</b>	International Standards Organization
<b>IT</b>	Information Technology
<b>JIU</b>	Joint Inspection Unit
<b>MIR</b>	Management Implication Report
<b>MIRIS</b>	Madrid International Registrations Information System
<b>OI</b>	Office Instructions
<b>PBC</b>	Program and Budget Committee
<b>RIAS</b>	Representatives of Internal Audit Services
<b>UN</b>	United Nations
<b>UNEG</b>	United Nations Evaluation Group
<b>UNRIS</b>	United Nations Representatives of Investigation Services
<b>UPOV</b>	International Union for the Protection of New Varieties of Plants
<b>WFP</b>	World Food Programme
<b>WIPO</b>	World Intellectual Property Organization

## **BACKGROUND**

1. The purpose of WIPO's Internal Oversight Division (IOD) is to provide independent and effective internal oversight for WIPO, in line with the provisions of the Internal Oversight Charter (IOC).
2. The IOC requires<sup>1</sup> the Director, IOD to submit, on an annual basis, a summary report to the WIPO General Assembly, through the Program and Budget Committee (PBC). The Annual Report shall give an overview of the internal oversight activities conducted during the reporting period, including the scope and objectives of such activities, the schedule of work undertaken and progress on the implementation of internal oversight recommendations.
3. In accordance with the IOC, a draft version of the Annual Report has been provided to the Director General and the Independent Advisory Oversight Committee (IAOC) for their comments; comments received have been taken into account in finalizing the report.

## **PLANNING PRINCIPLES**

4. In developing its oversight work plan, IOD considered a number of factors including risk ratings, relevance, country impact, oversight cycle, and feedback received from WIPO Management, Member States, and available resources. Prior to its finalization, the draft Oversight Work Plan was also submitted to the IAOC, for its review and advice as per IOC paragraph 26(a).
5. In order to provide effective oversight coverage with the efficient use of limited resources, while avoiding potential overlaps, IOD also considered the work done by the External Auditor and other oversight bodies such as the Joint Inspection Unit (JIU) and evaluations commissioned by the Committee on Development and Intellectual Property (CDIP).
6. The 2017 Oversight Plan was issued to all Program Managers and shared with WIPO staff on WIPO's Intranet. The 2016 Oversight Plan was completed on time and within budget.

## **PROFESSIONAL STANDARDS**

7. For its audit activities, IOD adheres to the International Professional Practices Framework promulgated by the Institute of Internal Auditors (IIA). Similarly, IOD's investigative work is conducted in line with the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators (CII). For evaluation activities, IOD follows the International Standards in Evaluation Practice as set out by the United Nations Evaluation Group (UNEG).
8. Following the revision of the IOC on October 11, 2016, the Investigation Policy and Manual were subject to further adjustments to be aligned with the amended IOC. Both documents were adopted on February 28, 2017.
9. The IOD Report Publication Policy was published on June 7, 2017 after addressing comments from Member States.

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<sup>1</sup> Refer to IOC paragraphs 44 and 45.

## SIGNIFICANT ISSUES AND HIGH PRIORITY OVERSIGHT RECOMMENDATIONS

10. This section contains information on key findings and recommendations, addressing high-priority risks, included in internal oversight reports, (Audits, Evaluations and Management Implication Reports, MIRs) issued during the reporting period.

11. The key findings and recommendations are related to the following reports issued during the reporting period<sup>2</sup>:

- (a) WIPO Lex;
- (b) Project Management;
- (c) Enterprise Risk Management (ERM);
- (d) WIPO's Ethics Framework;
- (e) Madrid Registry;
- (f) Payroll;
- (g) Review of Procurement Process, Policies and Procedures
- (h) International Union for the Protection of New Varieties of Plants (UPOV);
- (i) Program 13: WIPO Global databases;
- (j) Program 12: International Classifications and Standards;
- (k) MIR on the Printing Plant;
- (l) MIR on Recruitment Procedures; and
- (m) MIR on Home Leave Entitlement.

12. IOD has continued its dialogue with Management to regularly review and update the status of implementation of open recommendations. All recommendations are addressed by Management through an action plan with suggested activities, responsible staff and a deadline for implementation. Oversight recommendations are managed in the TeamCentral<sup>3</sup> system, accessible by IOD, WIPO Management and External Auditors.

### AUDIT OF WIPO LEX

13. IOD observed that there are some serious concerns about the quality of data contained in the WIPO Lex database. These data errors, if left uncorrected, have the potential to impact WIPO's reputation as a provider of high quality Intellectual Property (IP) reference tools. A systematic time-bound effort must be undertaken to address concerns on data quality in the WIPO Lex database.

14. Developing a solid quality control function and preparation of standard operating procedures in that regard would enable early detection and resolution of data errors and improve overall data quality.

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<sup>2</sup> The list of reports features in Annex I.

<sup>3</sup> TeamCentral<sup>3</sup> is a module of TeamMate which is a specialized software for audit assignments which includes various modules such as electronic working papers; follow up of recommendations, risk assessment and time scheduling.

15. Finally, human resources requirements for the WIPO Lex team need to be assessed with a view to increasing its capacity in line with future work plans.

#### AUDIT OF PROJECT MANAGEMENT

16. The audit underlined the need for establishing a project management framework in WIPO that is aligned with the project management culture, the current Information Technology (IT) governance structure, and the results framework of the Organization.

17. Furthermore, identifying the most appropriate structure, such as a project management office, to support the project management framework, with clearly defined roles and responsibilities, is a business requisite for effective and efficient management of projects across the Organization.

18. Finally, success and sustainability of a project management framework would depend on effective communication and a corporate training program tailored to WIPO's needs, as well as appropriate systems and tools designed to fully support project management at WIPO.

#### AUDIT OF ENTERPRISE RISK MANAGEMENT

19. IOD observed that considerable progress had been made in establishing a formal ERM process in WIPO since the redoubling of efforts in 2014.

20. The monitoring role of "second-line" WIPO functions in the assessment of the effectiveness of internal controls can be further enhanced through formal allocation of responsibilities by the Risk Management Group.

21. There is a need to conduct a review of all of WIPO's policy framework documents such as the Financial Regulations and Rules (FRR), Staff Regulations and Rules, and Office Instructions (OI) so as to build an inventory of controls.

22. In designing the ERM systems to capture controls information, adequate attention should be provided to recording of the attributes of internal controls.

23. The results of a benchmarking survey conducted with 32 United Nations (UN) and other International Organizations, showed that WIPO's ERM practices are on par with the more risk aware organizations.

#### REVIEW OF WIPO'S ETHICS FRAMEWORK

24. The design and structure of WIPO's Ethics Framework was found to be quite adequate, in terms of the positioning of institutional units, set of internal controls and processes and the robust underlying set of rules, regulations, policies and guidelines. The survey carried out as part of this audit also showed that the design and structure of WIPO's Ethics Framework are consistent with norms in practice among the UN System and other International Organizations.

25. Among opportunities for enhancement of the Ethics Framework, IOD placed a high priority on the establishment of comprehensive terms of reference for the Ethics Office and the completion of the Office's strategy. Ethics related risks should also be incorporated into the Organization's corporate risk register, while human and financial resources should be re-assessed to enable the Office to achieve its Expected Results (ER).

26. Furthermore, quality and frequency of training adapted to WIPO's specific needs as well as more effective communication would further support the framework. Finally, updating the Financial Disclosure Policy and the Policy on Protection against Retaliation are necessary steps to further enhance the Organization's Ethics Framework.

## AUDIT OF COMPLIANCE IN THE MADRID REGISTRY

27. The Madrid Registry has seen some significant changes in its operations since early 2016. Most significantly, a new IT platform known as the Madrid International Registrations Information System (MIRIS) was rolled-out in March 2016 after a multi-year implementation effort. This period also saw changes in the leadership of some key positions within the Madrid Registry as well as changes in the organization structure.

28. After the roll-out of the MIRIS system in March 2016, several issues were faced in the new system which also contributed to the build-up of a backlog in the stock of transactions to be processed by the Operations Division. Furthermore, a formal project closure report is yet to be finalized following the roll-out of the new system, potentially impacting effective capture of lessons learned for future projects. Finally, the MIRIS project missed a potential opportunity to enable the partial automation of some processes that are currently performed outside of the system, such as quality control and certification.

29. There is a need to rethink human resources planning in the Operations Division, with a view to striking a better balance between fixed and flexible staff contracts, in order to address the current practice of placing more reliance of flexible contracts with relatively high turnover, which could impact the Operations Division's capacity to deliver in an efficient and effective manner.

30. Further improvements within the Madrid Registry can be made by: (i) developing long term plans to mitigate risks related to heavy reliance on certain staff key staff members, whose absence could lead to deterioration in quality of services delivered; (ii) completing the recruitment exercise for the position of the Director, Madrid Registry; (iii) ensuring that staff who play a role in sample testing for quality control purposes are adequately trained in International Standards Organization (ISO) principles; and (iv) the documentation of business process flows, the examination manual and other guiding documents are fully aligned.

## AUDIT OF PAYROLL

31. The audit found that WIPO had successfully implemented the revised UN compensation package for staff in the professional and higher categories with no disruption. IOD's review of a sample of employees' pay for accuracy following the implementation of the revised UN compensation package did not reveal any significant anomalies.

32. With regards to payroll operational processes, certain control activities and manual processes put in place for providing assurance were found to be redundant; hence the overall payroll process is not fully benefiting from efficient control functionalities already available in the Administrative and Information Management Systems' Human Resource tool (AIMS HR).

33. Further customization and automation of certain operational processes could help enhance key controls and address some systemic issues; and compliance and alignment of operational processes with respective rules, regulations and office instructions would further increase efficiency and effectiveness of the payroll process.

## REVIEW OF PROCUREMENT PROCESS, POLICIES AND PROCEDURES

34. The Assemblies of the Member States approved<sup>4</sup> the recommendation of the Coordination Committee, made at its session in 2016, which, *inter alia*, requested "the Director, IOD to review the WIPO's Procurement Policies and Procedures after the review currently being undertaken by the Director General, as recommended by the General Assembly and the Coordination

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<sup>4</sup> A/56/13 (Proposal for the Inclusion of a Supplementary Agenda Item entitled "Review of the Office of Internal Oversight Services (OIOS) Report") and WO/GA/48/15 (Decisions taken by the WIPO Coordination Committee).

Committee Chairs, to ensure clarity and transparency in WIPO's procurement process, so that the conclusions and/or recommendations will be submitted to the PBC for consideration by Member States."

35. Based on IOD's comments, the WIPO Management has finalized the changes to the procurement policies as well as FRR. The proposed amendments to the FRR are being presented to the forthcoming sessions of the PBC and WIPO General Assembly for approval.

#### OTHER – CONTINUOUS AUDITING

36. IOD issued three internal memoranda summarizing the work done using data analytics as part of its regular continuous audit work; the results of which were shared with Management. These memoranda focused on internal controls in the areas of, AIMS Financial and Procurement Management, Travel Management in the eWork System, and Staff Information Management in AIMS HR.

37. IOD does not make formal recommendations based on the continuous auditing work it undertakes. However, a meeting was held with Management Representatives from the Administration and Management Sector and the Human Resources Management Department (HRMD) to discuss the observations and suggestions made by IOD.

38. IOD can report that Management appreciated the observations it made, and welcomed the opportunity to make further improvements in internal controls.

#### EVALUATION OF THE INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS (UPOV)

39. At its Ninetieth Session (Geneva, October 28 and 29, 2015), the UPOV Consultative Committee, agreed to request IOD to conduct an evaluation in 2016-2017 of the program of activities of UPOV. The evaluation report was presented by IOD in the Fiftieth Ordinary Session of the UPOV Council on October 28, 2016.

40. The main objective of this evaluation was to assess the relevance, effectiveness, efficiency, impact and sustainability of the activities implemented by the Office of the Union with regard to fulfilling its mandate. The evaluation covered cooperation strategies and implementation practices, including all activities and modalities, during the period 2012-2015.

41. Follow up action on the implementation of the recommendations shall be presented by UPOV to the Council in its October 2017 Session.

#### EVALUATION OF WIPO GLOBAL DATABASES DIVISION – PROGRAM 13

42. The main objective of the evaluation was to assess the effectiveness, efficiency, impact and sustainability of the Program 13 (Global Databases Division) with regard to fulfilling its mandate.

43. The Program continually invested in developing content and functionalities of the Global Databases, which enabled successful achievement of the WIPO ER IV.2 and IV.3. The content and functionalities of WIPO Global Databases' (including multilingual support of PATENTSCOPE Database) were positively rated by over 80 per cent of surveyed database customers and the usage of the PATENTSCOPE and Global Brand Databases has been gradually increasing for the past two biennia.

44. The Program has carried out a Business Impact Assessment, although, Business Continuity and Disaster Recovery Plans have not yet been developed to ensure the full disaster recovery capacity of the Division. No resources are allocated to track the national data deliveries, or follow up with IP offices in case of necessity which causes information exchange delays. Gender equality indicators have not yet been factored in as part of the Program's result framework for the period under evaluation.

45. Further improvements can be made by: (i) revising its human resource plans to be able to sufficiently address the development needs (including improving the multilingual support functions) of each database and provide a full back up; (ii) considering developing a comprehensive data quality assurance system to equally implement reactive and proactive components of the data quality system through quality at source and monitoring and matching approach; and (iii) addressing the service quality component of the Program through synchronizing and enriching multilingual "help option" of the databases.

#### EVALUATION OF THE INTERNATIONAL CLASSIFICATIONS AND STANDARDS DIVISION – PROGRAM 12

46. The evaluation of Program 12 was performed between January and June 2017. The main objective of the evaluation was to assess the relevance, effectiveness, efficiency, impact and sustainability of Program 12 (International Classifications and Standards Division) with regard to fulfilling its mandate in classifications domain and providing evaluative insights to assist the Management in making well informed decisions.

47. The program activities addressed the needs and priorities of all beneficiary countries. It contributed to achieving Strategic Goal IV through creating cooperation platforms between IP Offices to enhance voluntary, technical international cooperation on classification matters. The Program was addressing the training requests from developing countries mainly on an *ad hoc* basis and continuously offering the same static training pattern developed previously. The Program allocated the largest share of its budget for contractual services aimed at developing and utilizing digital and Information and Communication Technology (ICT) information sharing tools, though, some anticipated ICT projects had been delayed or canceled due to resource limitations.

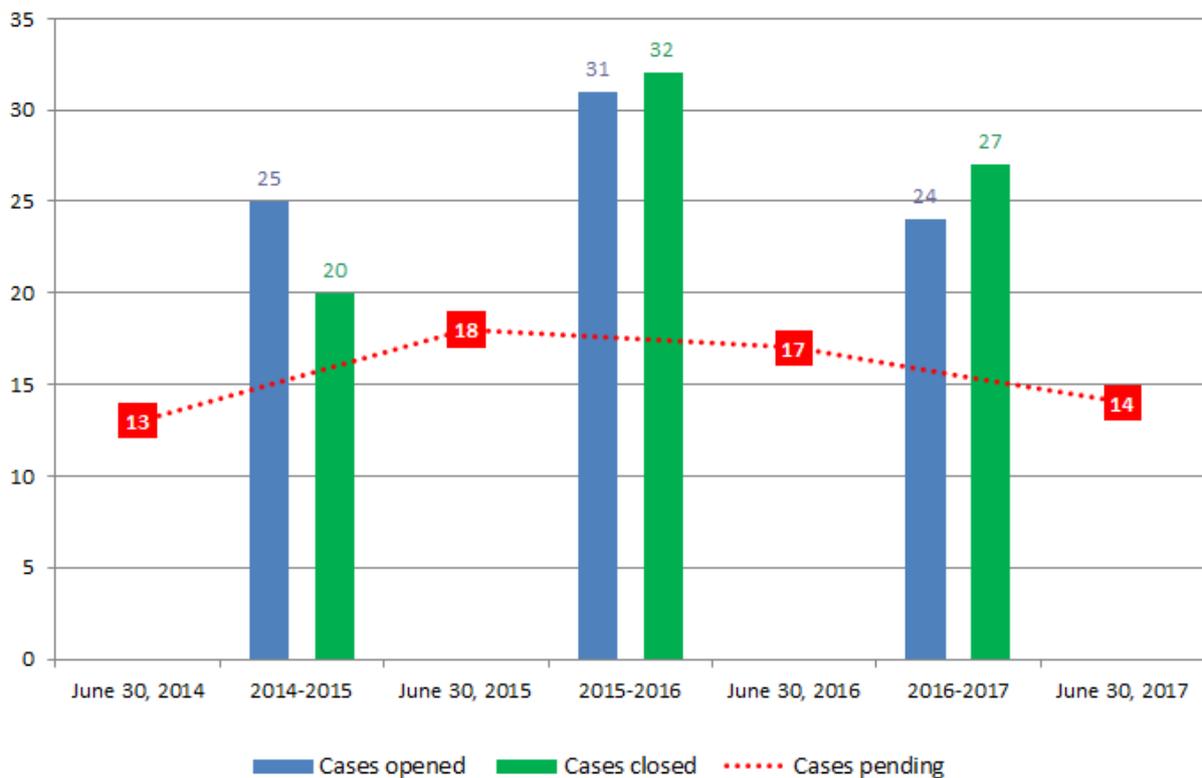
48. Further improvements can be made by: (i) taking the lead in addressing the periodicity of the sessions of the Committee of Experts for Locarno and Vienna Classification; (ii) contributing to the training needs assessment exercise planned in developing a more comprehensive competency framework; and (iii) reshaping the Program's human resource plans to staff the Marks and Design Section through starting the recruitment for the position of the Head of Section.

#### INVESTIGATIVE ACTIVITIES

##### CASELOAD OVERVIEW

49. During the reporting period, 24 new inquiry cases were registered and 27 were closed. As of June 30, 2017, 14 cases are pending, including one at the preliminary evaluation stage, eight at the full investigation stage and five on hold because of the prolonged absence of a concerned staff member, or pending action by another entity. Of the pending cases, eight were opened in 2017, five in 2016 and one in 2014. As of June 30, 2017, length of time it takes for cases to be investigated is 6.3 months.

Chart 1 – Comparative Analysis of Investigative caseload June 30, 2014 to June 30, 2017



50. Among the cases opened during the reporting period, four were referred to the IAOC for its advice in accordance with relevant provisions of the IOC<sup>5</sup>.

#### OUTCOME OF INVESTIGATIVE ACTIVITIES

51. According to the IOC, the Annual Report shall include a description of those investigative cases found to be substantiated and their disposition. In five of the cases investigated, IOD found that the allegations were substantiated and recommended disciplinary action against a staff member. Further:

- (a) One case resulted in the dismissal of the staff member from the Organization;
- (b) In one case, the staff member concerned left the Organization before disciplinary proceedings could be initiated; and
- (c) In three cases, a final decision by Management is still pending as of June 30, 2017.

52. In addition, the investigative activities conducted during the reporting period allowed IOD to draw some lessons. In particular, three MIRs were issued providing management recommendations regarding: (i) verification of staff benefit entitlements; (ii) reassignment of staff members whose competencies did not match the requirements of their role; and (iii) clarification of academic requirements in job announcements.

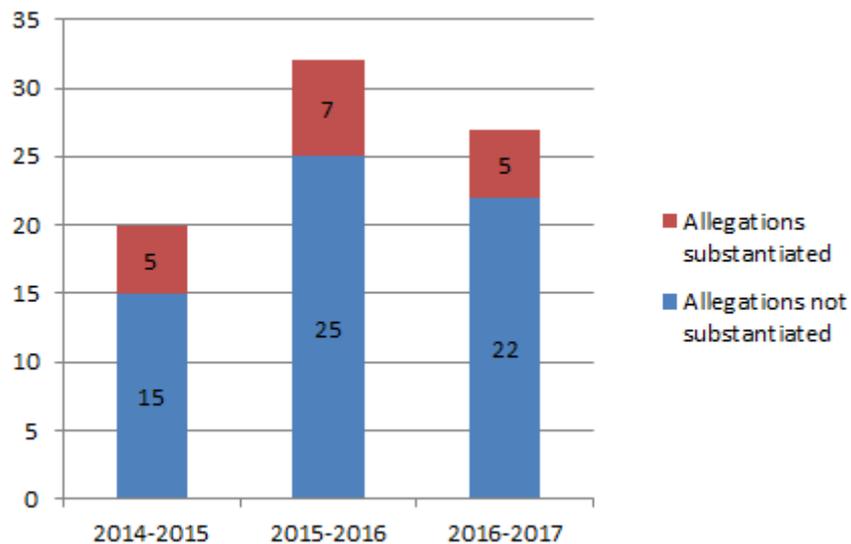
<sup>5</sup> IOC paragraphs 18, 19, 21, 22 and 23.

53. A comparative analysis of cases registered for the period July 1, 2014 to June 30, 2017 is given in the table below:

**Table 1 – Analysis of complaints received July 1, 2014 to June 30, 2017**

	2014-2015	2015-2016	2016-2017
Abuse of work time	5 (20%)	3 (10%)	3 (13%)
Unauthorized outside activities		1 (3%)	3 (13%)
Insubordination and other inappropriate behavior	1 (4%)	3 (10%)	5 (21%)
Other failure to meet the standards of conduct for international civil servants	2 (8%)	1 (3%)	2 (8%)
Harassment (non-sexual), Discrimination	5 (20%)	4 (13%)	2 (8%)
Procurement irregularities		2 (6%)	1 (4%)
Breach of confidentiality	2 (8%)	4 (13%)	2 (8%)
Wrongdoing by recruitment candidate	4 (16%)	1 (3%)	
Conflict of interest		1 (3%)	
Misuse of WIPO funds or assets	1 (4%)	1 (3%)	
Retaliation	1 (4%)		
Sexual harassment	1 (4%)		
Recruitment irregularities		2 (6%)	
Negligence at work, obstruction to WIPO operations		2 (6%)	1 (4%)
Wrongdoing by vendor or other external party	1 (4%)	1 (3%)	2 (8%)
Unauthorized statements or pronouncements		1 (3%)	1 (4%)
Abuse of position or status		2 (6%)	
Benefits and Entitlements Fraud or Abuse	2 (8%)	2 (6%)	2 (8%)
<b>Total</b>	<b>25 (100%)</b>	<b>31 (100%)</b>	<b>24 (100%)</b>

**Chart 2 – Analysis of Cases Closed July 1, 2014 to June 30, 2017**



## INSTANCES WHERE INFORMATION OR ASSISTANCE WAS REFUSED

54. In accordance with paragraph 45(g) of the IOC, the Director, IOD should report on any instances where IOD's access to records, personnel and premises was restricted during the reporting period.

55. IOD reports that no staff member refused to provide information or assist in an ongoing oversight process during the reporting period.

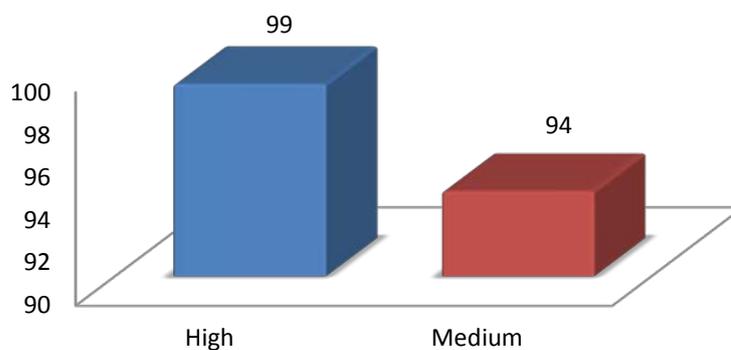
## STATUS OF IMPLEMENTATION OF OVERSIGHT RECOMMENDATIONS

56. The Director General is responsible for ensuring that all recommendations made by the Director, IOD and other oversight entities are responded to promptly, indicating actions taken regarding specific report findings and recommendations<sup>6</sup>. The Director General discharges this responsibility through Program Managers responsible for specific operational areas within the Organization<sup>7</sup>. The implementation of all oversight recommendations by WIPO Program Managers is subject to regular follow-up by IOD<sup>8</sup>.

57. IOD continues to manage and report on recommendations using the TeamCentral© system, which enables interactive dialogue with Program Managers and their delegates for an effective follow-up of implementation of open recommendations.

58. At the date of the present report, there are 193 open recommendations including 99 of high and 94 of medium priorities. IOD recommendations constitute 75 per cent of all open oversight recommendations.

Chart 3 – Recommendation by Priority



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<sup>6</sup> IOC paragraph 36.

<sup>7</sup> OI 16/2010, paragraph 7.

<sup>8</sup> OI 16/2010 paragraph 8.

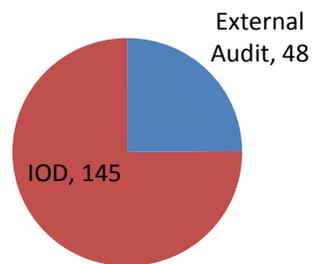
59. The table below shows the movement of recommendations by source, between July 1, 2016 and June 30, 2017.

**Table 2 – Movement of Recommendations between July 1, 2016 and June 30, 2017**

Source	Open as at July 1, 2016	Added During the Year	Closed During the Year <sup>9</sup>	Open as at June 30, 2017
IOD	129	61	45	145
External Auditor	31	30	13	48
IAOC	1	0	1	0
<b>Total</b>	<b>161</b>	<b>91</b>	<b>59</b>	<b>193</b>

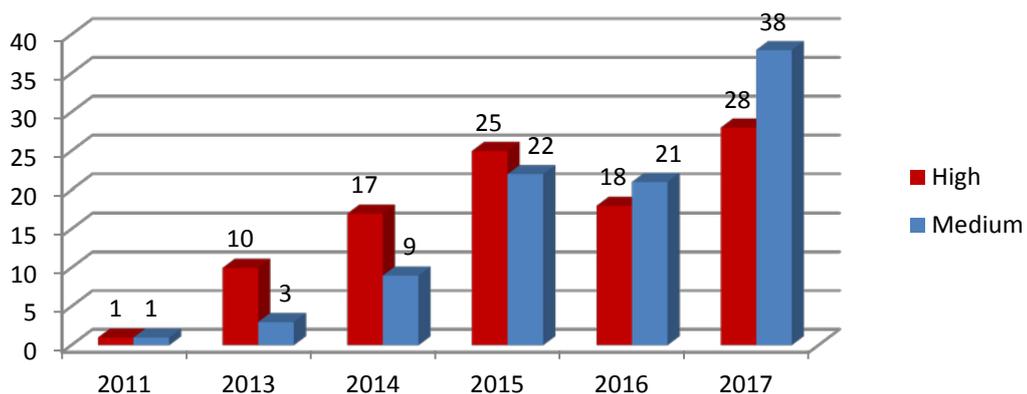
60. The Chart below shows the source of open recommendations as at June 30, 2017.

**Chart 4 – Open Oversight Recommendations by Source**



61. The table below summarizes the aging of open recommendations as at June 30, 2017.

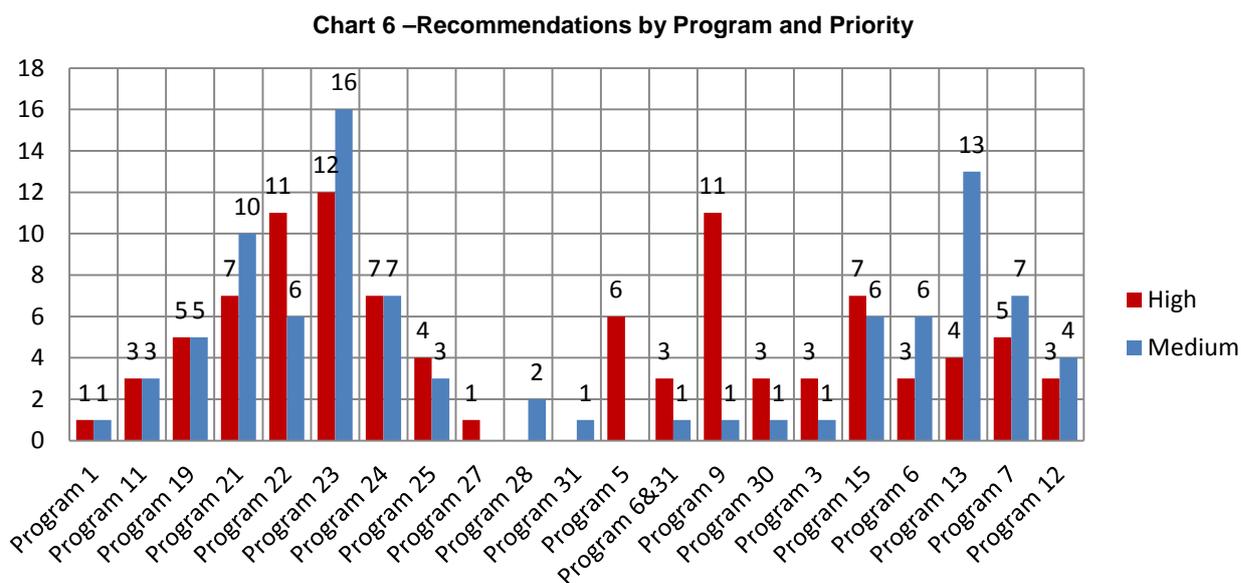
**Chart 5 – Aging of Open Oversight Recommendations by Priority**



62. One high, and one medium priority recommendations have been open since 2011, and a total of 41 recommendations made between 2011 and 2014 are still pending to date.

<sup>9</sup> One recommendation from IOD was closed with Management accepting the risk (INV 2017-01 Home leave entitlement).

63. As at June 30, 2017, the number of recommendation by WIPO Programs<sup>10</sup> and by priority are as follows:



64. Five programs make up 48 per cent of the 99 high priority recommendations, and the highest number of open recommendations is owned by Human Resources Management Department (Program 23), followed by Program and Resource Management (Program 22) and Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, and Least Developed Countries (Program 9).

## EXTERNAL QUALITY ASSESSMENT (EQA) OF THE INVESTIGATION FUNCTION

65. Out of 13 recommendations from the EQA of the investigation function, nine have already been implemented. Of the four remaining recommendations, two will be implemented through the development of an online fraud awareness training tool, which will be finalized in the third quarter of 2017; and two relate to staffing matters which IOD is still discussing with Management.

## CONSULTATIVE AND ADVISORY OVERSIGHT WORK

66. In addition to its planned oversight work, IOD continued to provide professional advice on organizational policy and procedures, risk management and internal controls. The list of policy and procedures in nine areas for which IOD provided advice is annexed to this report (Annex II).

<sup>10</sup> **Program 1** Patent Law, **Program 3** Copyright and Related Rights, **Program 5** The PCT System, **Program 6** Madrid System, **Program 7** WIPO Arbitration and Mediation Center, **Program 9** Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries, **Program 11** The WIPO Academy, **Program 13** Global Databases Services, **Program 15** Business Solutions for IP offices, **Program 19** Communications, **Program 21** Executive Management, **Program 22** Program and Resource Management, **Program 23** Human Resources Management Department, **Program 24** General Support Services, **Program 25** Information and Communication Technology, **Program 27** Conference and Language Services, **Program 28** Information Assurance, Safety and Security, **Program 30** Small and Medium-Sized Enterprises (SMEs) and Entrepreneurship support, **Program 31** The Hague System.

## **COOPERATION WITH EXTERNAL OVERSIGHT BODIES**

### **THE INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)**

67. IOD has regularly attended the sessions of the IAOC, reporting on the implementation of the internal oversight plan, discussing oversight results and other aspects concerning the work and functioning of the Division, and seeking the IAOC's advice. In the period covered by this report the Forty-Second through Forty-Forth Sessions of the IAOC took place.

### **THE EXTERNAL AUDITOR**

68. IOD maintained good working relations with the External Auditor by having regular meetings on audit, internal control and risk management issues. The External Auditor and IOD shared strategies, annual plans and individual reports with a view to ensuring efficient oversight coverage while avoiding potential duplication and oversight fatigue.

## **COOPERATION WITH THE OMBUDSPERSON AND THE ETHICS OFFICE**

69. During the reporting period, the Director, IOD met regularly with the Ombudsperson and with the Chief Ethics Officer to ensure good coordination and complementary support.

## **OTHER OVERSIGHT WORK**

### **OUTREACH ACTIVITIES IN THE ORGANIZATION**

70. As part of its ongoing effort to better explain and advocate for the internal oversight function, IOD continued to reach out to colleagues within WIPO through presentations given to new staff in the induction training, the IOD Newsletter, the IOD Dashboard and presentations to Directors and Senior Managers as and when required.

### **SATISFACTION SURVEY**

71. IOD continued to seek feedback from colleagues of audited/evaluated WIPO Units through client satisfaction surveys after each assignment. This aims to effectively receive and analyze feedback from colleagues on oversight work. The consolidated analysis of survey results indicates a satisfaction rate of 86 per cent.

72. The results of surveys conducted a year after assignments which are used to assess the impact of oversight work indicated an average satisfaction rate of 85 per cent. IOD will strive to further improve the impact of its oversight work based on the feedback received from colleagues.

73. The additional comments sent by the audited/evaluated units through the surveys helped IOD identify shortcomings and take corrective actions.

## NETWORKING WITH OTHER OVERSIGHT FUNCTIONS

74. The IOC includes specific provisions<sup>11</sup> on liaising and cooperating with the internal oversight services of other organizations of the United Nations system and of Multilateral Financial Institutions. IOD recognizes the value and importance of developing relationships with its peers. During the reporting period, IOD continued its active and useful collaboration and networking with other United Nations system organizations and entities. In particular IOD actively participated in:

- (a) The Annual International Conference and the Public Sector Committee meeting of the IIA hosted in New York, United States of America, from July 17 to 20, 2016.
- (b) The Annual Meeting of Representatives of Internal Audit Services (RIAS) of the UN, held between September 6 and 9, 2016 in New York, United States of America.
- (c) The Annual Meeting of UN Representatives of Investigative Services (UNRIS) on October 4, 2016 in Laxenburg, Austria.
- (d) The Annual meeting of Heads of Internal Audit in International Organizations in Europe (HOIA), hosted by the European Stability Mechanism in Luxembourg, between 26 and 29 April 2017.
- (e) WIPO attended the UNEG evaluation week, held between May 15 and 19, 2017, in Vienna, Austria.
- (f) The EQA of the investigation function of the World Food Programme (WFP), which started in June 2017 and is expected to be completed in September 2017.

## OPERATIONAL INDEPENDENCE OF IOD

75. The IOC requires<sup>12</sup> the Director, IOD to confirm his/her operational independence and to comment on the scope of its activities and the adequacy of resources allocated to the internal oversight function.

76. During the reporting period, no instance/activity occurred that could be considered as jeopardizing the operational independence of IOD. The scope of oversight activities has been decided by the IOD based on risk assessment, receiving comments and feedback from WIPO Management, IAOC and Member States as appropriate.

## OVERSIGHT RESOURCES

### BUDGET AND STAFF

77. To discharge its mandate, IOD has been provided with a biennial budget of 5.45 million Swiss francs, which represents 0.77 per cent of WIPO's budget for the 2016/2017 biennium. Overall, the level of current human and financial resources has been adequate for IOD to effectively cover the high priority areas as identified in its work plans. Exchange of Oversight Plans and continuous coordination of oversight activities with the External Auditor as well as effective use of IT tools have also helped achieve more efficiency and effective coverage of risk areas.

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<sup>11</sup> IOC paragraph 26 (g).

<sup>12</sup> The IOC paragraph 45 (i).



**Table 3 - 2016/2017 IOD Budget and expenditures<sup>13</sup>**

	<b>2016/17 Approved Budget</b>	<b>2016/17 Budget after Transfers</b>	<b>2016 Expenditure*</b>	<b>Utilization rate (%)</b>
Personnel Resources	4,658	4,790	1,847	39%
Non-personnel Resources	700	659	202	31%
<b>Total</b>	<b>5,358</b>	<b>5,450</b>	<b>2,049</b>	<b>38%</b>

*\*2016 Expenditure numbers are preliminary, subject to audit by External auditors*

*NOTE: The 2016/17 Budget after Transfers reflects transfers as of March 8, 2017 to address needs during the 2016/17 biennium in line with Financial Regulation 5.5.*

78. The recruitment of the Director, IOD was finalized, and the selected incumbent took up office on February 1, 2017.

79. The recruitment process for a Head of Evaluation Section and an Internal Auditor has been completed and the selected incumbents are likely to join by September 1, 2017 and August 1, 2017 respectively.

80. Following the movement of the Head of Internal Audit Section to another International Organization as Director of Internal Oversight, the recruitment process for this post has been initiated.

#### TRAINING

81. As is essential for the continued professional development of its staff, and in accordance with WIPO training policy, IOD staff attended various training activities to acquire new knowledge, technical skills and other competencies to increase IOD's operational effectiveness and efficiency in undertaking oversight assignments.

82. On average, each IOD staff members attended 10 days of training including: management of the audit function, fraud prevention and detection, investigative research techniques, data analytics, root-cause analysis, digital data capturing, cyber security, presentation/facilitations skills and audit planning.

[Annexes follow]

<sup>13</sup> Source: Figures from Program Performance Report (PPR) report 2016. Figures in thousands of Swiss francs.

**List of IOD Reports  
July 1, 2016 to June 30, 2017**

Audit of WIPO Lex	IA 2016-07
Audit of Project Management	IA 2016-04
Audit of Enterprise Risk Management	IA 2016-08
Audit of WIPO's Ethics Framework	IA 2015-04
Audit of Madrid Registry	IA 2016-03
Audit of Payroll	IA 2017-05
Review of Procurement Process, Policies and Procedures	
2016 Continuous Auditing Memoranda	CA 2016-01 CA 2016-02
2017 Continuous Auditing Memorandum	CA 2017-01
Evaluation of the International Union for the Protection of New Varieties of Plants (UPOV)	EVAL 2016-01
Evaluation of Program 13: WIPO Global Databases	EVAL 2016-05
Evaluation of Program 12: International Classifications and Standards	EVAL 2017-02
MIR on the Printing Plant	MIR 2016-01
MIR on Recruitment Procedures	MIR 2016-09
MIR on Home Leave Entitlement	MIR 2017-01

[Annex II follows]

## **LIST OF IOD CONSULTING AND ADVISORY ACTIVITIES**

1. Office Instruction on Events and Hospitality
2. Changes to WIPO Contracts
3. Security Strategic Review
4. Control Assessment Procedure
5. Definition of Fraud and Presumptive Fraud
6. Office Instruction on Harmonious Workplace
7. Vendor Sanction Policy
8. Revision of the Information Classification Policy
9. Fraud Maturity Model for WIPO

[End of Annex II and of document]