

## Program and Budget Committee

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

REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)

*prepared by the WIPO Independent Advisory Oversight Committee (IAOC)*

1. This document contains the Report by the WIPO Independent Advisory Oversight Committee (IAOC), prepared by the IAOC and covering the period July 1, 2016 to July 6, 2017.
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/27/2).*

[The Report by the WIPO Independent Advisory Oversight Committee follows]



ANNUAL REPORT BY THE  
WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE  
FOR THE PERIOD JULY 1, 2016 to JULY 6, 2017

August 22, 2017

## Contents

I.	INTRODUCTION.....	4
II.	QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS.....	4
III.	MATTERS REVIEWED .....	5
	A. Internal Oversight.....	5
	B. External Audit.....	7
	C. Financial Reporting .....	8
	D. Monitoring the Implementation of Oversight Recommendations .....	8
	E. Ethics and Ombudsperson .....	9
	F. Assistance to Governance Bodies.....	10
IV.	CLOSING REMARKS .....	10

## I. INTRODUCTION

1. Pursuant to its Terms of Reference, the WIPO Independent Advisory Oversight Committee (IAOC) submits an annual report to the Program and Budget Committee (PBC) and to the WIPO General Assembly.
2. The IAOC was established in 2005. It is an independent, expert advisory and external oversight body which is a subsidiary body of the WIPO General Assembly and of the PBC. The IAOC assists Member States in their role of oversight and in exercising their governance responsibilities.
3. The present report covers the period July 1, 2016 to July 6, 2017. Section II of this report provides an overview of IAOC quarterly sessions, composition of the Committee and working methods. Section III details matters discussed and reviewed by the IAOC during the reporting period.

## II. QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS

### *Quarterly Sessions*

4. During the reporting period, the IAOC held four quarterly sessions: from August 22 to 26, 2016 (42<sup>nd</sup> session), from November 21 to 25, 2016 (43<sup>rd</sup> session); from March 27 to 31, 2017 (44<sup>th</sup> session); and from July 3 to 6, 2017 (45<sup>th</sup> session). In line with its Terms of Reference, the Committee held an information meeting with representatives of Member States following each session, and published its session reports on the WIPO website.

### *Composition and Selection Process for new members*

5. The IAOC comprises seven members drawn from WIPO's geographical groups who serve in their personal capacity and independently of Member States. In accordance with its Terms of Reference and Rules of Procedure, the Committee voted at its 43<sup>rd</sup> session in November 2016 for the current Chair and Vice-Chair to continue in their respective capacities.

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

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

The composition continues to reflect a proper mix and balance of skills, expertise and experience.

7. At the Committee's 44<sup>th</sup> session, the new members were offered a presentation on the functions and the working modalities of the Committee, as well as given insights into the Organization through a series of induction briefings made by the Director General, the Assistant Director General, Administration and Management Sector, the Controller, the Director, Human Resources Management Department (HRMD) and the Director, Internal Oversight Division (IOD).

8. At its 44<sup>th</sup> session, the Committee members had an opportunity to introduce themselves to the Chair of the WIPO General Assembly.

9. The Committee would like to thank the outgoing members of the IAOC whose term expired on January 31, 2017 for their service and the valuable advice provided during their respective terms:

- Ms. Mary Ncube (African Group);
- Mr. Anol Chatterji (Asian Group);
- Mr. Nikolay Lozinskiy (Group of Central Asian, Caucasus and Eastern European States (CACEEC));
- Mr. Fernando Nikitin (Group of Countries of Latin America and the Caribbean); and
- Mr. Zhang Guangliang (China).

#### *Working Methods*

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

11. IAOC members are not remunerated for their activities. The Committee is supported by a part-time Secretary (Administrative Assistant at G-6 level), who provides logistical and technical assistance to the Committee. Given the nature and frequency of requests for review and advice, support at the professional level would be desirable to enable the Committee to better respond to requests from Member States and fully assume its responsibilities.

### **III. MATTERS REVIEWED**

#### **A. Internal Oversight**

##### *Internal oversight plan and work plan results*

12. In accordance with the Internal Oversight Charter, the IAOC reviewed the draft internal oversight plan for 2017 and noted that, along with the audits planned by the External Auditor, there were adequate provisions for a good mix of oversight assignments which ensured continued focus on risk-based oversight coverage.

13. The IOD Activity Reports which were made available at each of the sessions provided a basis for the Committee to discuss with the Director, IOD, and to gauge the status and progress of the Division's activities and assignments, whether ongoing or planned.

14. The Committee noted with satisfaction that the activities of the Division were in line with the approved internal oversight plans.

##### *IOD Staffing*

15. The IAOC continued monitoring the staffing situation of IOD, and noted that the Head, Evaluation Section is expected to assume office at the start of September.

##### *New Director, IOD*

16. In accordance with its Terms of Reference and with the Internal Oversight Charter, the Committee advised the Director General on the appointment of a new Director, IOD. At its 44<sup>th</sup> session, the Committee welcomed the newly appointed Director, IOD.

*Performance Appraisal of the former Acting Director, IOD*

17. In accordance with the Internal Oversight Charter, the IAOC provided input into the annual performance appraisal of the Acting Director, IOD for the Director General to consider.

18. At the 44<sup>th</sup> session the Committee was informed that the Head, Internal Audit Section would leave IOD by the end of June in order to assume his new function as Director of Internal Oversight in another UN system organization. The Committee suggested to the Director, IOD, to launch without delay the recruitment process for this key position. The Committee acknowledged the excellent cooperation and the high professional quality of work of Mr. Tuncay Efendioglu in his capacity as Acting Director, IOD, for more than 20 months and wished him success in his new capacity.

*Investigation Policy and Investigation Manual*

19. At its 43<sup>rd</sup> session, the Committee reviewed the final versions of the proposed revised Investigation Policy and Investigation Manual, which incorporate the amendments to the Internal Oversight Charter as was mandated by the WIPO General Assembly and take into account inputs received from consultation with Member States and the WIPO Secretariat, in particular the Office of the Legal Counsel and HRMD.

*Policy for Publication of Oversight Reports*

20. The Committee was satisfied that its comments and suggestions made earlier had been considered and were reflected in the final versions of the documents, which were now in line with the decision of the WIPO General Assembly that Member States may request access to oversight reports withheld or to the original versions of redacted reports, and that, upon written request, such access might be granted under condition of confidentiality at the Office of IOD.

*Internal Audit*

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

- Audit of WIPO Lex, September 26, 2016 (IA 2016-07)
- Audit of Project Management, December 7, 2016 (IA 2016-04)
- Audit of Enterprise Risk Management, December 16, 2016 (IA 2016-08)
- Audit of WIPO's Ethical Framework, March 6, 2017 (IA 2016-06)
- Audit of Madrid Registry, May 11, 2017 (IA 2016-03)
- Audit of Payroll, May 23, 2017 (IA 2017-01).

*Evaluation*

22. The Committee discussed with Management and the Director, IOD, working methods and approaches to the evaluation assignments and was pleased that the good mix of the risk-based methods used allowed comprehensive evaluation of the effectiveness and sustainability of Programs.

23. Over the reporting period, the IAOC reviewed, together with IOD and Management, four evaluation reports:

- Evaluation of WIPO's Assistance to Least Developed Countries (LDCs), May 2, 2016 (EVAL 2015-02)
- Evaluation of WIPO's Pilot Project on the Professional Development of Women, May 20, 2016 (EVAL 2016-02)

- Evaluation of WIPO Global Database Division, Final Report, January 25, 2017 (EVAL 2016-05)
- Evaluation of Program 12: International Classification and Standards, Final Report, June 27, 2017 (EVAL 2017-02).

### *Investigation*

24. At each of its sessions, as stipulated by the Internal Oversight Charter, the Director, IOD, briefed the Committee on the status of investigation cases and the case load.
25. As of July 1, 2017, there were 16 open investigation cases. The Committee reviewed the details of each case and engaged thereafter in an exchange with the Director, IOD, and the Head, Investigation Section, providing advice on cases of potential conflict of interest.
26. The Committee is satisfied that the IOD used the resources available to achieve adequate oversight coverage and acknowledges the quality of the oversight reports reviewed.

### B. External Audit

27. The Committee continued interacting with the External Auditor. At the 43<sup>rd</sup> and 45<sup>th</sup> sessions, the Committee communicated *via* video-conference with the Director of External Audit and discussed several matters, including the audit report for the year 2016, Key Audit Matters, and the External Audit work plan.
28. The External Auditor indicated that the audit report for the year ending December 31, 2016 had not yet been signed; however, an unqualified opinion would be provided on the Financial Statements for the year 2016.

### *International Standards on Auditing (ISA) 701*

29. During the reporting period, the External Auditor sought the views of the IAOC on ISA 701 on “Communicating Key Audit Matters”, which provides the option of including key audit matters in the Auditor’s Short Form Report.
30. The Panel of External Auditors of the UN system had discussed the matter, and agreed that their members should consult with respective Managements and those in charge of governance (i.e. Governing Bodies and Oversight Committees) of individual organizations to assess the inclusion of Key Audit Matters in the Short Form Report.
31. The Committee discussed the matter in depth at its 44<sup>th</sup> session and concluded that communicating Key Audit Matters would enhance the value of the auditor’s report by providing greater transparency about the audit that was performed. It could also provide intended users a basis to further engage with Management and those charged with governance about certain matters that arose during the audit.
32. In this regard, the Committee encouraged the External Auditor to apply ISA 701 on a pilot basis and to include Key Audit Matters in the Short Form Report resulting from the audit of financial statements.
33. The Committee understands that the decision whether or not to include Key Audit Matters in the Short Form Report rests with the External Auditor. At its 45<sup>th</sup> session, the Committee was informed by the External Auditor that a final decision would be made after, *inter alia*, seeking input from Member States.



*Selection of the External Auditor for the period 2018 – 2023*

34. The Committee discussed with the evaluation team the preliminary appraisal of the proposals for external audit of WIPO starting January 2018, and provided advice on certain aspects of the proposals received, affirming the need for the External Auditor to provide both financial as well as performance audits when undertaking the function.

35. The Committee is satisfied with the level of coordination between external audit and internal audit and is pleased that WIPO continued to receive an unqualified audit opinion.

C. Financial Reporting

36. During the 45<sup>th</sup> session, the Committee was provided with the unaudited Financial Statements for the financial year ended December 31, 2016, and discussed with Management the financial position and the financial performance.

37. With regard to the financial performance, the revenue totaled Swiss francs 387.7 million, compared to 381.9 million in 2015. Expenses totaled 355.7 million, compared to 348.7 million in 2015. WIPO registered a net surplus of 32 million, compared to 33.3 million in 2015.

38. The most significant source of income was the PCT system fees at 290.71 million (275.39 million in 2015), 75 per cent of the Organization's total revenue. The most significant expense was personnel expenditure at 224.35 million (216.3 million in 2015), 63 per cent of total expenses.

39. With regard to the financial position, total assets at December 31, 2016 amounted to Swiss francs 1,027.2 million, while total liabilities amounted to 715.9 million. Net assets were 311.3 million, a further increase from 2015 (279.1 million).

40. The most significant assets were cash and cash equivalents at 529.8 million (489.5 million in 2015), land and buildings at 375.5 million (380.5 million in 2015). The most significant liabilities were advance receipts at 269.6 million (249.4 million in 2015) and employee benefits at 159.6 million (148.5 million in 2015).

41. The Committee noted that the financial results of WIPO's activities continued to strengthen its financial position.

D. Monitoring the Implementation of Oversight Recommendations

42. In accordance with its Terms of Reference, the IAOC monitored the implementation of oversight recommendations. At each of its sessions, based on data provided by IOD's central database TeamCentral, the Committee reviewed the status of implementation with a special focus on high risk recommendations.

43. The Committee was informed that no recommendations were closed without implementation; therefore, there was no case of Management acceptance of residual risks. The Committee periodically discussed with Management and the Director, IOD, options for better reflecting shared responsibility for implementing certain audit recommendations, and was pleased to note that the External Auditor was now actively using WIPO's TeamCentral database for recording and following up on their recommendations so as to ensure they were tracked in one system.

44. The IAOC was informed that IOD regularly reviewed the initial residual risk rating of all open recommendations to reflect the actual residual risk at the time of reporting. For this reporting period, IOD made no changes to the residual risk ratings of open recommendations. The Committee noted the implementation progress and acknowledged the efforts made by Management and by IOD in following-up on and addressing outstanding oversight recommendations.

45. As of June 30, 2017, the total number of open recommendations was 193. Since the beginning of the reporting period in July 2016, 59 recommendations had been implemented and closed. During the same period, 91 new recommendations have been added to the database.

46. The IAOC was pleased to note from feedback of the Joint Inspection Unit of the United Nations system (JIU), based on the criteria and ratings defined and agreed with almost 30 organizations in the UN Common System, WIPO had demonstrated a very high level of maturity of development of its follow-up process.

47. The Committee appreciates the structured follow-up process and the Secretariat's efforts to implement oversight recommendations. The Committee is of the view that timeliness of implementation could be further improved.

#### E. Ethics and Ombudsperson

##### *Ethics Office*

48. In 2015, Member States expanded the mandate of the IAOC to also cover the ethics function. The IAOC's Terms of Reference require the Committee to review and provide advice on the proposed annual work plan of the Ethics Office.

49. At its 44<sup>th</sup> session, the Committee reviewed the annual work plan of the Ethics Office for 2017. The Committee welcomed the various initiatives planned, but advocated prioritizing the projects planned and specifying the efforts and resources required.

50. At the same session, the Committee also reviewed the report on the Audit of WIPO's Ethics Framework. The Director, IOD, briefed the Committee on the audit findings and recommendations, replying to a series of questions on the results of a survey conducted with WIPO staff during the audit process. On the basis of the survey's results, the Committee noted that a strong and independent ethics function remains of vital importance to WIPO.

51. The Committee was pleased that the design and structure of WIPO's Ethic Framework was assessed as adequate and in line with good practices in the UN system, but noted that more efforts are required to enhance implementation of this framework, by setting priorities and defining milestones.

52. At its 45<sup>th</sup> session, the Ethics Office presented the progress of the implementation of audit recommendations. The Committee reiterated its advice to the Chief Ethics Officer to set more ambitious implementation target dates and prepare a structured and prioritized implementation plan.

53. At its 45<sup>th</sup> session, the Committee discussed with the Chief Ethics Officer the draft revised Policy on Protection against Retaliation and sought clarification on a number of points. Upon receipt of those clarifications, the Committee will resume its review of the draft policy at its next session and provide its comments and suggestions. Additionally, in line with its Terms of Reference, the IAOC provided input to the Director General into the performance appraisal of the Chief Ethics Officer.

54. The Committee appreciates the efforts made by the Chief Ethics Officer. It will continue to monitor the activities of the Ethics Office in order to assist the Chief Ethics Officer in discharging her duties in a manner that ensures the effective and prioritised use of the resources available.

##### *Ombudsperson*

55. At its 43<sup>rd</sup> session, the Committee met with the Ombudsperson, who presented an analysis of cases received, and discussed options to effectively explore and encourage the use of informal conflict resolution mechanisms, in order to reduce issues of potential conflict from

becoming formal complaints and allegations of wrongdoing without first seriously attempting to resolve such matters informally through mediation.

F. Assistance to Governance Bodies

*Proposed amendments to the WIPO Staff Regulations and Rules*

56. In response to the request of the WIPO General Assembly (document A/56/16, paragraph 22(ii)) when adopting the revised Internal Oversight Charter, the Committee, with technical assistance from the Office of the Legal Counsel and after consultation with the Director, HRMD, prepared a proposal for amending the WIPO Staff Regulations which, after consultation with Member States, will be submitted to the WIPO Coordination Committee for consideration at its 74<sup>th</sup> session.

57. The proposed amendments are intended to clarify certain aspects of the disciplinary process in cases of special investigations.

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

*Procurement*

59. As requested by the WIPO Coordination Committee (WO/CC/73/7), the IAOC, at its 44<sup>th</sup> session, reviewed with Management and the Director, IOD, the proposed amendments to the Financial Regulations and Rules (FRR) on procurement, which included assessment and suggestions from the IOD. It was felt that the amendments would contribute to improving the general principles for procurement contained in the FRR and to strengthening the process. Management agreed to take the Committee's suggestions into account in their final proposal in the PBC, particularly including in the Annual Procurement Report, statistical information on cases where alternative procedures were used.

**IV. CLOSING REMARKS**

60. The IAOC wishes to thank the Director General, Management, the Director, IOD, the External Auditor, the Chief Ethics Officer and the Ombudsperson for their availability, clarity and openness in their interactions with the IAOC, and for the information provided.

[End of document]