

Assemblies of the Member States of WIPO

Sixty-Fifth Series of Meetings
Geneva, July 9 to 17, 2024

REPORT BY THE EXTERNAL AUDITOR

prepared by the Secretariat

1. The present document contains the “Report by the External Auditor” (document WO/PBC/37/3), submitted to the WIPO Program and Budget Committee (PBC) at its thirty-seventh session (June 10 to 14, 2024).
2. Any decision of the PBC in respect of those documents will appear in the “List of Decisions Adopted by the Program and Budget Committee” (document A/65/6).

[Document WO/PBC/37/3 follows]

Program and Budget Committee

Thirty-Seventh Session
Geneva, June 10 to 14, 2024

REPORT BY THE EXTERNAL AUDITOR

prepared by the Secretariat

1. This document comprises the following items:
 - (i) The Independent Auditor's report which contains the opinion of the External Auditor on the financial statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2023; and
 - (ii) Report of the External Auditor for the financial year 2023 to the 65th Series of Meetings of the Assemblies of the Member States of WIPO (also known as the "long form report"). This report contains the External Auditor's recommendations arising from the audit work undertaken during the year 2023.
2. The following decision paragraph is proposed.

3. The Program and Budget Committee (PBC) recommended to the Assemblies of WIPO, each as far as it is concerned, to take note of the "Report by the External Auditor" (document WO/PBC/37/3).

[Report by the External Auditor follows]

INDEPENDENT AUDITOR'S REPORT TO THE WORLD INTELLECTUAL PROPERTY ORGANIZATION

Opinion on financial statements

I have audited the financial statements of the World Intellectual Property Organization for the year ended 31 December 2023, which comprise the

- Statement of Financial Position as at 31 December 2023,
- Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts Revenue and Statement of Comparison of Budget and Actual Amounts Expenses for the year then ended,
- Statement of Comparison of Budget and Actual Amounts Revenue and Statement of Comparison of Budget and Actual Amounts Expenses for the biennium then ended, and
- the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of the World Intellectual Property Organization as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the General Assembly of the World Intellectual Property Organization and the financial transactions conform to the Organization's Financial Regulations.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the World Intellectual Property Organization's Financial Regulations. My audit of regularity was undertaken using the principles set out within the ISAs. My responsibilities under these standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the World Intellectual Property Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Financial Report and Statement on Internal Control, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing World Intellectual Property Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the World Intellectual Property Organization or to cease operations, or has no realistic alternative but to do so.

Management and those charged with governance are responsible for overseeing World Intellectual Property Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs,

I exercise professional judgment and maintain professional scepticism throughout the audit.

- I identify the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the World Intellectual Property Organization's internal control.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- I conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the World Intellectual Property Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future

events or conditions may cause the World Intellectual Property Organization to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenses reported in the financial statements have been applied to the purposes intended by the General Assembly and the financial transactions confirm to the Financial Regulations which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have also issued a long-form audit report on the results of my audit.

[signed] Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP
United Kingdom

Date: 14 May 2024



National Audit Office

MAY 2024

World Intellectual Property Organization

External Auditor's Report on the 2023 WIPO Financial Statements

The aim of the audit is to provide independent assurance to member states; to add value to the WIPO's financial management and governance; and to support your objectives through the external audit process.

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

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INTRODUCTION

1 The World Intellectual Property Organization (WIPO) was established in 1970 by the 1967 WIPO Convention. The history of WIPO can be traced as far back as the 1883 Paris Convention for the Protection of Industrial Property. The purpose of WIPO is to lead the development of a balanced and effective international intellectual property system. The organisation comprised some 193 Member States and is financed primarily through fees charged for its services through its treaty unions, particularly the Patent Cooperation Treaty (PCT), Madrid and Hague Unions. WIPO also receives assessed and voluntary contributions.

2 In addition to our opinions on WIPO's financial statements, this report presents the key findings and recommendations arising from our work, including our observations on financial management, governance and internal control, knowledge management and a compendium of other matters examined during our six-year mandate. Our report also follows up the progress made implementing our previous recommendations.

3 Our findings and recommendations have been discussed with management. In line with good practice, the results of our financial audit were communicated to the Independent Advisory Oversight Committee prior to finalising our work.

4 The original drafting language of this report is English. The English version is the authoritative text.

KEY OBSERVATIONS

Audit opinions on the financial statements

5 Our audit comprised the examination of the 2023 financial statements and associated transactions and events for that year. It was conducted in accordance with International Standards on Auditing and the Financial Regulations. Those standards require that the United Kingdom's Comptroller and Auditor General (C&AG) and his staff comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. We provided unqualified audit opinions, without modification, on the financial statements.

6 The financial statements remain of high quality, supported by sound systems of internal controls and reporting. This year's financial statements continue to underline the high quality of financial reporting that we have seen during our mandate. While there is comprehensive reporting of performance to the Program and Budget Committee, our audit highlights that further enhancement in the quality of its financial reporting could be achieved by incorporating performance and sustainability information within the audited Financial Statements to provide an overall annual report. In our view this would align the reporting of resources with the delivery of objectives and their impact on the environment in a single assured document for stakeholders. This would echo the trends in wider financial reporting and provide valuable overall view to WIPO's stakeholders.

Financial management

7 WIPO has delivered consistently strong financial performance over our mandate, even during times of unprecedented circumstances such as the Covid-19 pandemic and continuing global uncertainties. It reflects the strong business model which WIPO has, which is cash generative. The market for intellectual property has remained buoyant, and with capital investments and organisational changes made by WIPO, it has continued to ensure the sustainability of the income for its services. WIPO consistently generates surpluses exceeding those forecast each biennia. It is important that Member States consider what this means for the long-term model, and as we highlighted last year, to consider the approach to the use of surpluses.

8 WIPO has delivered a strong financial performance in 2023, with an overall surplus of CHF 113.8 million (2022: CHF 7.7 million). The increase from the previous year is largely due to investment performance, following the decline in their value during 2022. Together with other movements within the financial statements, net assets increased to CHF 605.2 million at December 2023 (2022: CHF 560.0 million). Revenues reduced slightly, reflecting a small decline in applications of 1.8 per cent to CHF 489.3 million (2022: CHF 498.5 million). During the same period, expenditures increased to CHF 427.6 million, an increase of CHF 24.8 million (6.2 per cent) on 2022 (CHF 402.8 million).

9 WIPO has continued to build its reserves and deliver a strong financial performance. Over our six-year mandate there have been considerable changes in the returns from investments and in the value of employee benefit liabilities, largely reflecting changes in market conditions. While the Secretariat see some trends in declining patent applications, WIPO has enjoyed sustained surpluses from its operational activities, despite the significant challenges over this period. There remains a strong pipeline of patent applications to provide assurance that WIPO's model is sustainable. While WIPO has a reserves policy, which is enabling it to set aside revenues to fund long term liabilities and invest in its infrastructure, we believe it is important to demonstrate that its fees remain appropriate for users, within a more explicit framework of principles.

10 During our tenure we have highlighted the impact of employee benefit liabilities on WIPO which totalled CHF 595.5 million as at 31 December 2023. They remain significant, and heavily impacted by changes in economic conditions. During our mandate WIPO has refined the valuation methodology for these liabilities and has continued to build a strategic cash reserve to fund these liabilities. Following an earlier audit recommendation, the Secretariat are now considering the cost benefits of holding these reserves in a separate legal entity, to ensure they are safeguarded for the purposes intended.

Governance and internal control

11 Our audit has not identified any material weaknesses in the system of internal controls, and processes continue to provide a strong and robust set of assurances to underpin the Director General's Statement on Internal Control. We have seen a continuous evolution in WIPO's approach to its internal control environment, which

should maintain focus and resources on the most important controls. Improvements have included a clearer articulation of the accountability framework, refining how internal controls are assured, a maturing approach to risk management and the modernisation of the financial regulations. WIPO has continued to undertake business process re-engineering, and is seeking opportunities to find greater efficiency and simplification, this will position it better to benefit from the move to the proposed cloud-based ERP system.

12 The Statement on Internal Control has been enhanced and is fully aligned to the accountability framework. Further improvement can be secured by a sharper focus on the disclosure of key risks and sources of assurance over them. A key element in the further embedding of effective internal control is the need to make better progress in developing and operationalising data analytics, to provide systematic assurance over key controls. Progress in developing these tools has been slow and we note that the Secretariat do not anticipate operationalising these until the end of 2025.

13 Turnover within the ethics function has delayed management in responding to issues we identified around potential conflict risks within PCT. WIPO has presented an action plan to mitigate the potential reputational risks identified. We also noted that, with the changes within the Internal Oversight Division (IOD), there is a greater focus on the significant and material risks within the forward work programme. We welcome the commitment to seek early adoption of changes in internal auditing standards and the commitment to piloting an annual assurance opinion for 2024, with full adoption in 2025.

Knowledge management

14 WIPO's approach to its internal **records and knowledge management** has faced challenges. An initial strategy was developed in 2014, but progress in implementing an Enterprise Content Management system was slow. Following a review in 2020, WIPO revised its records and archive management policy and embarked on a new enterprise content and collaboration management (ECCM) project with a budget of CHF8.8 million, aiming for completion in 2026. WIPO has a significant volume of both digital and hardcopy records, while some will be important for institutional memory, much is inactive and should either be permanently archived or securely destroyed. This organisational information is not yet being handled according to archival management standards, making access difficult.

15 Current plans and policies could be further strengthened by incorporating a concise overarching strategy. Alongside the technology implemented through the ECCM project, and the processes defined in the policy documents, it will be important for the project to ensure a focus and clear plan to address the people and cultural issues which will be critical for delivering a successful implementation of the changes.

Looking back over our mandate

16 In 2018, we considered the work of the **Human Resources Management Department** (HRMD) and made a series of recommendations for enhancing HR activities. A new People Strategy was launched in 2021 which placed considerable focus on issues of diversity and talent management, addressing areas we identified as

needing attention. Internal training has become more strategically focused, and a framework has been developed to ensure training programmes meet both the development and business needs of employees and the Organization, supporting improved workforce planning and delivery of a more agile workforce.

17 We had highlighted that more objectivity, consistency and equity was needed in the performance management system. Changes continue to be made and the performance management policy has recently been revised to streamline the process. On the management of staff absence, WIPO has strengthened its arrangements and approach and there is improved compliance monitoring and greater intervention when staff are absent. We have seen a positive change in WIPO's approach to staff engagement. Overall, WIPO has taken sound actions to enhance its approach to HR matters and has established better processes to engage and develop staff to enhance the effectiveness of the Organization.

18 In 2020, we examined WIPO's **strategy for using reserves** in the context of the Capital Master Plan (CMP). Our observations were aimed at both the strategic focus of the CMP overall and the management of the individual project. At the strategic level, we could not clearly determine how projects had been prioritised within the CMP. We highlighted the importance of investment decisions being driven by need and a clear link to WIPO's objectives. WIPO's latest CMP proposal includes further selection criteria, including greater articulation that projects should be of a strategic and special nature and with a minimum project threshold for of CHF 3 million. The latest project proposals are more strategic and while not performing a detailed review of the projects, the proposals were stronger, with an enhanced description of the project implementation approach, a clearer articulation of the project benefits and a better analysis of the potential risks. The approach and strategy for the use of reserves has been significantly enhanced.

19 In 2022, we observed that there was no **overall estates strategy** identifying the needs of the Organization. Our report also highlighted that existing workspaces did not lend themselves to fully fostering the innovative and collaborative environment which the Organization has embraced. WIPO has recognised the need for this and has committed to develop a strategy taking account of these observations and recognising the evolving nature of the workforce and the need to optimise the use of space. It will also address the need to develop smart and sustainable buildings that improve energy efficiency. The Secretariat proposes to share this strategy with Member States in 2025, before presenting Member States with proposals for any substantial new investment in its existing infrastructure. The planned approach addresses the substance of our recommendations and will enable WIPO to better demonstrate how it is maximising the use of its assets.

20 In 2019, we reported on **external offices**. We highlighted the need for a clear strategy to support the development of the network and to ensure alignment with the WIPO business plan and results-based structures. We recognise that it has remained difficult for Member States to reach a consensus on the scope of an evaluation of the external offices and this has hindered progress in having a consistent approach to the

development of the network. In our view, Member States may find more cohesion in agreeing a high-level set of overarching principals, or objectives for the terms of reference. An independent reviewer could be commissioned to formulate the detailed scope and deliver the evaluation report to support targeted discussion by Member States on subsequent actions.

Previous recommendations

21 Of the 11 recommendations raised for 2022 and those from earlier years that remained in progress, WIPO has implemented five recommendations. Six recommendations remain open or are in progress. In this our final year, we have not raised any specific new recommendations, but our report highlights areas which WIPO may wish to consider.

PART ONE

FINANCIAL MANAGEMENT

Overall audit results

1.1 The External Auditor has audited WIPO's financial statements for the year ended 31 December 2023 which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flow, Statement of Changes in Net Assets, the Statements of Comparison of Budget and Actual Amounts and the related notes. The audit opinion confirms that the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2023 and of its financial performance and cash flows for the year then ended. It also confirms their proper preparation in accordance with International Public Sector Accounting Standards and that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by Member States.

1.2 Over our mandate, WIPO has consistently provided quality financial statements, which have required very limited amendment arising from audit throughout this period. This speaks to the quality of financial reporting at WIPO and of the review and capacity of the WIPO finance team to engage appropriately with changes in standards and to support the audit process. We thank the finance team for their engagement with us during our tenure.

Financial performance

1.3 In 2023 WIPO reported an overall surplus for the year of CHF 113.8 million (2022: CHF 7.7 million). After actuarial losses on WIPO's post-employment liabilities of CHF 56.3 million and a decrease of CHF 12.3 million in the value of the new building land following a revaluation, net assets increased to CHF 605.2 million at December 2023 (2022: CHF 560.0 million). Revenue in 2023 of CHF 489.3 million (2022: CHF 498.5 million) is broadly consistent from the previous year. Applications received by the Organization's primary unions have reduced slightly, with PCT filings down 1.8 per cent on the previous year. As a result of wider market conditions, WIPO's investment portfolio recovered with reported gains of CHF 52.2 million in 2023, significantly offsetting some of the previous year's losses of CHF 88.1 million.

1.4 WIPO incurred expenditures of CHF 427.6 million, an increase of CHF 24.8 million (6.2 per cent) on 2022 (CHF 402.8 million). As management have disclosed in the accompanying Financial Report, overall expenses have increased in 2023. The expansion of the Young Experts Programme explains the movement in the fellowship expense, while expenditure on IT services and individual contractors has accounted for much of the increase in contractual services costs.

Financial position

1.5 The overall surplus has contributed to gross assets increasing by 6.9 per cent to CHF 1,732.5 million as at 31 December 2023 (2022: CHF 1,621.1 million). In 2023, due

to improved market conditions, WIPO reverted to holding proportionately more liquid assets in investments and reduced its cash and cash equivalents.

1.6 During 2023, gross liabilities increased by 6.2 per cent to CHF 1,127.3 million (2022: CHF 1,061.1 million). This is primarily due to the increase in the Organization's employee benefit liabilities to CHF 595.5 million as at 31 December 2023 (2022: CHF 504.9 million). This increase is predominantly due to changes in assumptions underpinning the post-employment liabilities, on which we comment later. The combined effect of changes was to increase net assets to CHF 605.2 million as at December 2023 (2022: CHF 560.0 million).

Financial health

1.7 We use ratio analysis of an organisation's financial health on all our international audits to show how financial positions change over time (Figure 1). They express the relationship of one item of account against another. For example, there are CHF 0.66 of current assets for every CHF 1 of current liabilities. This might normally be a cause for concern, but this low level is mitigated by the pipeline of future work, which continues to be evidenced by the high value of advance receipts (CHF 330.1 million). While unlikely, should the need arise, WIPO could liquidate its longer-term investments for cash-flow purposes which mitigates any risk.

Figure 1: WIPO Key financial ratios 2018-2023

Ratio	2023	2022	2021	2020	2019	2018
Total assets: Total liabilities	1.54	1.53	1.35	1.39	1.42	1.32
Assets: Liabilities						
Current ratio						
Current assets: Current liabilities	0.66	0.66	0.54	0.63	0.56	0.60
Cash ratio						
Cash and cash equivalents: Current liabilities	0.16	0.43	0.26	0.28	0.38	0.44

Notes

- ¹. A high current ratio indicates an entity's ability to pay off its short-term liabilities.
- ². A high asset to liability ratio is a good indicator of solvency.
- ³. The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash and cash equivalents there are in current assets to cover current liabilities.

Source: Audited Financial Statements of WIPO

1.8 As we have seen throughout our mandate, WIPO continues to maintain a strong financial position, the product of sustained annual surpluses. The Organization has healthy reserves which are significantly backed by cash and investments. It has earmarked funds (Strategic Cash and Investments) of some CHF 248.8 million (2022: CHF 219.7 million) for its accumulated employee benefit liabilities, most notably to provide for the after-service health insurance to former staff members which currently total CHF 557.3 million. By funding a proportion of these liabilities, WIPO minimises long-term risks to Member States, mitigating the risk of having to fund these liabilities through assessed contributions if revenues fall.

1.9 As explored further in WIPO's Financial Report, alongside the cash and investments, the financial statements report property, plant and equipment and intangible assets totalling CHF 353.3 million (2022: CHF 371.1 million) which are held predominantly at their historic cost. During 2023, WIPO reflected a CHF 12.3 million fall in the market value of its land holding on revaluation at market prices. WIPO has retained reserves of CHF 605.2 million which include the special project reserves of CHF 21.9 million which we have previously reported on.

1.10 Overall, due to WIPO's cash generating business model it has made substantial investments in its property estate and holds significant retained reserves which are more than sufficient to meet its total liabilities.

2022-2023 Reported Budget performance – Statement V

1.11 The Program of Work and Budget for WIPO is prepared each biennium on a modified accrual basis. As this is the second year of the biennium, Statement V presents both a comparison of the budget and actual amounts for 2023 and for the biennium. A reconciliation of the budget performance to the revenue and expenditure figures reported in the performance statement is presented in Note 15 to the financial statements.

1.12 The original budget for the biennium 2022-2023 was approved by the General Assembly with estimates for revenue and expenditure of CHF 951.8 million and CHF 793.8 million respectively¹. This provided for a budgeted surplus, before IPSAS adjustments, of CHF 158.0 million. Revenue forecast revisions led to a final forecast budget surplus of CHF 176.7 million. Actual surplus before unrealised investment losses was CHF 229.4 million. WIPO presents its budget analysis in Statement V on a largely cash basis, reconciling this to the IPSAS outturn. Figure 2 reports the trends in budget performance based on the budget numbers before the IPSAS adjustments, thereby comparing outturn against the approved forecasts.

¹ Program of Work and Budget for 2022/23

Figure 2: Outturn against budgets (CHF Millions)

	2023	2022	2021	2020	2019	2018
Revenue¹						
Original budget	483,836	467,926	448,839	433,930	421,335	408,309
Outturn	480,208	491,946	473,168	462,937	447,148	420,625
Variance	- 3,628	24,020	24,329	29,007	25,813	12,316
Expenses¹						
Original budget	398,131	395,661	387,280	381,122	366,408	359,446
Outturn	385,796	356,971	348,137	327,881	366,939	339,436
Variance	12,335	38,690	39,143	53,241	- 531	20,010
Planned surplus	85,705	72,265	61,559	52,808	54,927	48,863
Actual surplus ²	94,412	134,975	125,031	135,056	80,209	81,189
% of revenue	20%	27%	26%	29%	18%	19%
Investment “return”						
Budget	Nil	Nil	-844	-844	23	23
Actual	52,101	-88,055	22,713	33,429	42,102	-6,030

1NOTES

1. Excludes investment revenues/gains and losses

2. Surplus before IPSAS adjustments

Source: WIPO financial statements

1.13 During 2023, WIPO earned revenue of CHF 480.2 million and incurred expenditure on the budget basis of CHF 385.8 million, resulting in a real budget surplus of CHF 94.4 million, or 20 per cent of revenues earned (Figure 2). As reported previously, this has created consistent levels of surplus. The unrealised gain on investments increased this surplus further to some CHF 146.5 million. A reconciliation between the IPSAS and budget surplus is presented in note 15 of the financial statements, after these non-cash adjustments, this reduced the overall reported surplus to CHF 113.8 million. As in previous years, the difference is predominantly due to depreciation, the movements in the employee benefit liabilities and the expenditure on the projects funded from reserves. WIPO present explanations for changes between the original and final budget, and material variances within the WIPO Performance Report 2022²

² Document WO/PBC/37/7

1.14 Earlier in our mandate, we considered how WIPO's Statistics and Data Analytics Division derive their revenue forecasts and how this information is used to inform the variable costs related to application examination processes, such as translation services. We noted many of WIPO's costs are fixed by their nature and influenced by uncontrollable inflationary factors, such as those imposed by the International Civil Service Commission. We highlighted WIPO's prudence in its financial planning, which minimises the risk to Member States, but has led to the continuing increase in retained reserves.

1.15 Note 20 to the financial statements, provides a view of the financial performance by each Union. This continues to demonstrate how reliant the Organization is on the PCT and Madrid Unions which, especially the PCT, compensate for the continuing deficits reported by the Hague and Lisbon Unions of CHF 9.8 million (2022: deficit CHF 10.3 million) and CHF 1.2 million (2022: deficit CHF 1.5 million) respectively. Following a decision at the 59th Series of Meetings in 2019, the PCT Union has assumed the financing of these deficits. The total accumulated deficits, reported as negative net assets, in the Hague and Lisbon Unions were CHF 97.7 million and CHF 9.9 million respectively. In 2023, the level of fee revenue for Hague was CHF 7.7 million (2022: CHF 7.2 million) and Lisbon CHF 277,000 (2022: CHF 3,000). At current rates of recovery, these Unions will be unable to address their cumulative deficits.

1.16 In our report last year we highlighted the importance of WIPO considering its fee rates and cost recovery in the context of sustained surpluses. The Secretariat confirmed that fees are considered and discussed by Member States on a regular basis, in the respective Working Groups and the sustainability of Unions is an ongoing discussion in the PBC and WIPO Assemblies. Mindful of the continued strong performance of WIPO, we believe it is important for WIPO's Member States to more explicitly frame its longer-term view of how its revenue model enables it to meet the challenges of managing its costs, long-term liabilities and its future investment needs. While WIPO has a reserves policy, we believe it is important to demonstrate that its fees are cost effective for its users, within a more explicit framework of costing principles.

1.17 Over time WIPO has evolved its reporting of its investment returns. As commented last year, we consider that WIPO should exclude investment returns as a line item within Statement V reporting. This would provide a clearer view of budgetary performance. Investment gains and losses are significantly due to market changes which cannot be directly controlled by management. Changes in investment performance have not generally impacted in changes to the Organization's investment strategy. To enhance transparency of investment performance, we believe the return on investment should be more explicitly reported through the annual financial report and statements, with an assessment against WIPO's benchmark rate. We believe this would provide clearer accountability and reporting of the budget and of investment return.

Employee benefits

1.18 In 2023, total personnel expenses reported in the financial statements were CHF 252.3 million (2022: CHF 249.6 million), these represent 59.0 per cent (2022: 62.0 per cent) of all expenses during the period. WIPO's Staff Regulations set out the conditions of service and the basic rights, duties, and obligations of WIPO staff. This includes the salaries and related allowances and the social security benefits, including access to the UN Joint Staff Pension Fund and After-Service Health Insurance.

Post-employment benefits

1.19 WIPO's most significant liabilities are its employee benefits. As set out in Note 9 to the financial statements, the most significant are the staff member's after-service health insurance (ASHI), their repatriation entitlements and accumulated leave liabilities. During 2023, the overall liability for these staff benefits has increased to CHF 595.5 million (2022: CHF 504.9 million). Since 2014 WIPO has maintained a separate account for the funds it has allocated for the future financing of after-service employee benefit liabilities (including ASHI, repatriation grant and travel, and long-term accumulated annual leave). These funds have primarily been generated by the Program of Work and Budget charge applied to the cost of posts, and these strategic cash and investments total CHF 248.8 million (2022: CHF 219.7 million), leaving an unfunded liability of CHF 346.6 million (2022: CHF 285.2 million).

1.20 The ASHI liabilities totalling CHF 557.3 million (2022: CHF 468.6 million) are calculated by an independent actuary based on underlying data and assumptions. They reflect the value of the contractual obligations to staff and retirees, on 31 December 2023, for their underlying claims expected in the future. The year-on-year movement arises from changes in the actuarial assumptions including those relating to medical claims costs.

1.21 The most significant factors that impact the valuation of the liability are the actuarial assumptions, which increased the liability by CHF 56.3 million (**Figure 3**). These mainly comprised the CHF 60.9 million loss on **financial assumption** changes, which included discount rates, inflation, and medical trends. The loss related primarily to the discount rate decreasing from 2.5 per cent to 1.8 per cent. This was partially offset by actuarial gains due to a decrease in the ultimate medical cost trend rate, which moved from 2.80 per cent to 2.60 per cent.

Figure 3: Evolution of ASHI defined benefit obligation.

	2023	2022
Defined benefit obligation 1 January	468,634	573,723
Interest cost	11,617	2,852
Current service cost	25,554	40,211
Contribution paid	-4,814	-4,348
Actuarial assumption changes	56,314	-143,804
Defined benefit obligation 31 December	557,305	468,634

Source: WIPO financial statements

1.22 Over several years, WIPO's actuary has evolved its approach to the model used for calculating the liability. The model was originally based on an age adjusted premium calculation. In 2021, actual claims over the period 2017-2020 were analysed to develop a profile of the expected claims costs at different age ranges, which was uplifted in 2022 to reflect the average increase in per capita claims cost between 2021 and 2022.

1.23 Following the changes to the approach, which we highlighted last year, WIPO has now established this as a consistent policy for setting this assumption for future years. For 2023, the medical claims cost at each age was increased by 2.8 per cent, the trend rate from the prior year valuation. To ensure assumptions remain valid, WIPO have committed to perform a full medical claims experience study every 3 to 5 years.

Future impact of the liability

1.24 The value of the Organization's liabilities evolves over time, based on changes in both demographic and other economic factors. As part of the annual valuation performed by the Organization's expert, WIPO receives a projection for the value of liabilities over the following four years, assuming current assumptions remain consistent. WIPO has presented the results of this assessment with the analysis of liabilities in the Annual Financial Report. The forecast highlights that the impact of current assumptions on the liability will result in a projected increase to CHF 669.9 million at 31 December 2027. This proactive reporting of forecast liabilities represents good practice and provides clear visibility of the medium-term trends and risks over this significant area of financial risk. In determining the overall ASHI liability, the actuarial assessment is calculated as the net present value of future liabilities related to current members after retirement and takes no account of the lower ongoing costs of younger active staff and new joiners.

1.25 In response to our previous recommendation, to consider the risks and benefits of formally designating earmarked ASHI investments as plan assets to enhance transparency over the net liability, WIPO has identified two options for Member States to consider. These options are the creation of a multi-employer plan, covering both WIPO and UPOV, or a Foundation established under Swiss law. Both options provide a structure to separate the employee benefits and associated plan assets, thereby

safeguarding those assets to ensure they were only available to fund the employee benefit liabilities. The analysis has been prepared considering the requirements of the legal and financial reporting frameworks. In discussing the options, Member States should ensure that the benefits of changing these arrangements outweigh the perceived risks.

UN Joint Staff Pension Fund

1.26 WIPO is affiliated as a member organisation to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. However, as the pension scheme cannot accurately determine a reliable estimate of the corresponding risk borne by each participating organisation no actuarial liabilities for the pension scheme appear in WIPO's financial statements.

1.27 The characteristics of the UN pension scheme are outlined in Note 9 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2021, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations. Should this situation change in the future, deficiency payments would be required from WIPO. This situation represents a potential future financial risk to the Organization which needs to be tracked and managed.

WIPO's Annual Financial Report

1.28 Over our mandate, we have made various observations on how WIPO's Annual Financial Report might be enhanced. The financial commentary to accompany its financial statements is more comprehensive than many other entities. Our report highlights positive aspects in providing valuable information to Member States, such as the proactive analysis of future trends in ASHI liabilities, and opportunities such as those relating to reporting of investment performance.

1.29 It is important for WIPO to be able to succinctly report on how it has used both financial resources, and to account for its consumption of wider resources which have an environmental impact. WIPO comprehensively presents information on the use of resources by expected result and sector, providing an annual account of programmatic and financial performance. This is reported in a separate document but presented to the PBC alongside the audited financial statements. We believe a summarisation of these performance results should be incorporated within the audited financial statements to present a single document for wider stakeholders, with the additional inclusion of sustainability reporting metrics. A single annual report, combining all three elements, would provide a more accessible and complete picture of WIPO's annual performance, together with commentary on the future direction of the Organisation over the coming year.

1.30 As we highlighted last year, it remains our view that a comprehensive WIPO Annual Report would provide a concise and holistic picture of WIPO's use of resources and of its performance and outcomes for the year to its stakeholders. While we think other reporting could be streamlined, it would not require a change to current accountability mechanisms but provide a more accessible summary of performance. This would mirror global trends in good practice financial reporting. We commend this approach to Member States.

PART 2

GOVERNANCE AND INTERNAL CONTROL

2.1 The Director General is responsible for ensuring effective financial administration of the Organization in accordance with the Financial Regulations. The Director General has established, and maintains, systems of internal control and delegation which are important in providing a framework of assurance for Member States to rely upon. WIPO continues to be proactive in its development of the internal control environment. The Statement on Internal Control provides a good overview of the three lines of defence that the Director General relies upon to demonstrate the effectiveness of the internal control environment.

Internal control

2.2 WIPO operates a sound internal control environment. Over our mandate, our audit has not identified any significant control weaknesses, nor have any been reported to us through the work of the Internal Oversight Division (IOD). WIPO continues to proactively consider the control environment and has engaged proactively with our recommendations. The collective audit findings support the view that WIPO has a good level of internal control maturity, and an approach which embraces continuous improvement.

2.3 In our view, there are opportunities for WIPO to be more ambitious in focusing on the key controls and focusing assurance effort and validation on these controls. This should be underpinned by modern techniques such as data validation where we feel progress has been slow, resulting in lost opportunities for efficiency. It is important that management's ambition and commitment is translated into delivering tangible outcomes in these areas.

WIPO's control environment

2.4 The new Financial Regulations and Rules were implemented from 1 January 2023. The results of our audit work and discussions with management have not identified any issues of significance regarding their implementation. WIPO have undertaken an assessment of their implementation following our previous recommendation, concluding that the regulations have operated effectively. We continue to see the regular review of financial regulations as good practice, which should similarly be extended to other key regulations. Regular reviews will ensure alignment with wider WIPO developments and emerging good practice. Such processes should be seen as routine, to ensure the regulatory framework is fit for purpose.

2.5 Overall, the articulation of WIPO's approach to the three lines of defence, and the assessment of its control environment has evolved over the last six years. The key developments of the Accountability and Risk Management Frameworks, including the

definition of risk appetites, have provided a coherent and logical framework for accountability and control within WIPO. These policies are aligned with the business, providing a set of measures to give greater visibility of the control environment. WIPO has continued throughout our mandate to improve and enhance its disclosures, fostering a culture of strong internal control.

Statement on Internal Control

2.6 WIPO has evolved its approach to the disclosure, quality, and validation of its control environment, describing this in the Statement on Internal Control. The Statement provides a concise and logical articulation of the control environment, its results and the risks that have been managed during the period. It remains clearly aligned to WIPO's Accountability Framework. The content of the Statement is consistent with the information that has come to our attention during the audit. Member States should continue to take confidence in the processes management have established and the way in which they are reported.

2.7 Further steps can be taken to mature the information reported in the SIC, which could provide a sharper focus on the key risks and sources of assurance over the most significant controls and risks. At present the statement highlights the risk but does not fully describe the effectiveness of the actions taken or the sources of assurance. We are encouraged that developments in IOD's workplans will provide some of this assurance, but we believe there could be more disclosure of other key assurances such as ISO accreditations of key systems so that the SIC focuses more on effectiveness.

2.8 The evolution of the control framework has taken account of the observations we have made during our mandate. Management have embraced the concept of emphasising the key controls and, over several years, the volume of controls assured has reduced. The SIC articulates that the number of controls has remained relatively static during 2023, with validation of 36 Entity Level Controls and 263 process controls. Of these, 78 have been assessed as being key controls. We still see this as a significant level of controls to review and assure. There remains scope to further streamline this process.

2.9 The control environment assessments continue to measure across a five-point scale. Most controls have been assessed as being deployed and reliable (level 3) with eight per cent in lower categories and 14 per cent reaching level four. Building on our observations from last year, we feel that WIPO could be more ambitious in targeting controls. The focus should be controls which are important to the business, where ongoing validation and effectiveness would be seen as business critical to manage areas with a low-risk appetite. This would provide a clearer picture on the cost benefits of investing to further mature controls and provide a clearer view of effectiveness and the objectivity of the assurance sources. We also reiterate our observations that a simplification of the model to three levels of maturity would reduce the complexity and provide greater clarity on the quality of the control, especially since two of the current levels are rarely used.

Data analytics

2.10 One area where WIPO has been less successful in delivering improvement has been the field of data analytics. We have advocated these tools as a cost effective and systematic way to evidence and support the effectiveness of the control environment. We first discussed the concept with management when we started our mandate in 2018, however, we have not seen this translated into the systematic operation of analytic tools. Management cites various technical reasons for the delays, but as previously highlighted, we continue to encourage WIPO to introduce some business process analytics to demonstrate proof of concept. This will help inform the development of the full suite of tools which management now believes will be fully completed by the close of 2025.

Business process reengineering

2.11 In our report last year, we highlighted that WIPO's processes have evolved over time from the historical "automation" of a rules based manual process, with many of those checks and controls not addressing identified specific transactional risks. We commented on WIPO's pilot review of the home leave travel process which identified disproportionate process effort and workflow for relatively low risk and low value transactions. Following the review and a consideration of the options, WIPO now is planning to implement changes to the process.

2.12 We felt there was an opportunity for WIPO to consider other processes, consequently, a cross-functional working group was established to generate ideas on business process streamlining and process bottlenecks. To ensure consistency of approach, the methodology developed for the home leave travel will be applied consistently to the more complex end to end process analysis. WIPO is currently considering the processes related to mission travel; low value procurements; voluntary contributions; delegation of authority; the end-to-end procurement process; and FTA standard contract renewal. As highlighted last year, the working group is having due regard for WIPO's future migration to a new cloud-ERP system. We support management's plans to secure efficiencies in operations.

Risk management

2.13 Over the last six years WIPO has evolved its approach to risk management and is continuing the process of embedding and maturing the risk approach. During 2023 management reassessed its progress in achieving the aim of having 'Advanced' risk management maturity, based on the Maturity Model for Risk Management in the UN System. The original ambition was to achieve this in 2023, but this has now been reprofiled to be attained at the conclusion of the 2024/25 Biennium. The change allows time for management to revise handbooks and policies, and for the continued evolution of the Enterprise Risk Management platform. This will be further supported by a commitment to training; review key controls as part of IOD's work programme; and to allow for a comprehensive independent review of the risk and RBM frameworks. We see these as positive developments.

2.14 While the ambition is to achieve ‘advanced’ maturity in all elements of risk management, some areas may be less important to the business goals of WIPO. The key aim of risk management is to inform good decision making, and not purely a process. Risk management needs to be proportionate, relevant and embedded. In our view, it remains important throughout to assess the cost benefits of the risk management process, and this should be considered as part of any evaluation. While some adjustments are planned for the WIPO risk heat map we continue to see WIPO as having a clear assessment of its risk appetite, which helps inform a consistent framework for decision making which is often missing from many ERM processes within the UN system.

2.15 We reviewed minutes of the risk management group, noting the quality of the discussion and decisions which the risk data facilitated. The considerations of risk clearly took account of emerging developments globally. It remains important, as we have previously reported, that risk registers are challenged in these meetings to provide confidence in the systematic consideration of risk.

Ethics

2.16 Sound ethical conduct is the foundation for the operation of an effective control environment. WIPO’s Ethics Office provides independent advice and guidance, promotes good practice and builds awareness. During 2023, WIPO’s Chief Ethics Officer left the Organization, and the role has been filled ad interim, by an experienced external consultant.

2.17 In our report last year, we performed a more detailed review of the role of the Ethics Office, and we noted some positive developments, especially in the take up of mandatory training and to induction processes. Our review of WIPO’s policies over ‘conflicts of interest’ identified several areas where there may be benefit in extending requirements to report potential or perceived conflicts to spouses and close family members. We considered the potential risks which might arise in areas related to Intellectual Property activity to carry reputational risk for WIPO. We noted that there was no specific reference to the risks we identified, namely ethical issues arising from potential or perceived intellectual property conflicts of close family members.

2.18 We consider this an area of reputation risk, and noted that there was no progress on this recommendation, largely arising from the departure of the Ethics Officer during the year. We re-engaged with management on the potential risks during our audit and management has now looked at this in the context of a control within PCT. It has now undertaken to perform a systematic review of its conflict arrangements to ensure they are systematic and reflect best practice. We continue to urge management to ensure it objectively reviews its arrangements in this area to mitigate both actual and perception risk.

Internal Oversight Division (IOD)

2.19 The Division issued six internal audit reports, two evaluation reports, 14 full investigation reports, and three Management Implication Reports (MIR), we routinely review these reports to inform our audit and assessment of risk. The reports raised no significant issues which we considered material to the framework of internal controls. Last year we highlighted the lack of independent assurance over cyber risks. We confirmed that IOD's "cybersecurity" penetration testing report, originally planned for 2022 was delivered in the first quarter of 2024, following difficulties in sourcing an appropriate service provider. During our time we have highlighted the importance of regular audit of the assurances over Information Security and cyber risk as a critical part third line assurance activity, aligning with WIPO's low risk appetite in this area. We welcome that IOD's focus in this area is evolving and note that an audit of the cybersecurity maturity assessment and assurance, including black box penetration testing; and an advisory on WIPO's ERP Transformation Project IOD are programmed as part of the 2024 workplan.

2.20 In line with good practice, the position of Director of IOD is term limited and during 2023 a new Director of IOD was appointed. In its 2023 Annual Report, the Director highlights several initiatives to be implemented in 2024 aimed at improving its services, enhancing effectiveness and efficiency, and engaging with various stakeholders. We support the ambitions to evolve IOD's work and focus to enable it to be sufficiently agile to respond to future developments, and to focus on the most significant and business critical risks to WIPO. This should include reflecting on the balance between the various elements of IOD's work and the specialist audit skills required in the areas of cyber, systems implementation and estate investments. IOD informed us that its 2024 plan includes: an audit on cybersecurity maturity assessment and assurance, including black box penetration testing; and an advisory on WIPO's ERP Transformation Project.

2.21 Regarding internal audit, the Institute of Internal Auditors issued new global standards effective from 2025. We welcome IOD's proactivity in seeking early adoption, and it is updating its Internal Audit Manual, Policy, and Charter to reflect these changes. In addition, following our earlier recommendation, IOD will issue an annual overall opinion, to be reflected in WIPO's Statement on Internal Control. A pilot exercise planned in 2024 followed by full implementation in 2025. Alongside the previously deferred cybersecurity report, the 2024 audit plan includes consideration of WIPO's key controls and their operating effectiveness, a review of claims data supporting the employee benefits liabilities and further work in the PCT area. In our view, these are all important areas of WIPO's operations and represent an improved focus on material risks and activities.

2.22 On investigations, IOD is working to better distinguish between preliminary assessments and full investigations, it is working with the wider internal justice system to explore other remedies for conflict resolution. This will help to ensure that investigation activity is proportionate and focused to address risks. The exploration of conflict resolution as a means of responding to some concerns is a positive step that should secure efficiency and more timely resolution of concerns.

2.23 On Evaluation, IOD has planned a peer review by the UN Evaluation Group. The review aims to systematically assess the maturity of an evaluation function in terms of independence, credibility, and utility. We support these developments and would share our experience that proportionate and responsive evaluation work can make better use of the resource, providing more immediate feedback to inform management in adjusting and refining its programmes.

Knowledge and records management

2.24 WIPO is an organisation founded upon the premise of the importance of protecting and curating information to deliver global benefits. The Organization holds an enormous amount of client, public record and organisational information. Over time, this information continues to grow, and the mediums for its storage have changed. Effective records management is an important part of effective and efficient internal control. Sound practices also enable information to be leveraged, to exploit its potential. In this context we have reviewed WIPO's approach to its own records and knowledge management. Our work has not encompassed the patent registration information, which is separately managed and controlled.

2.25 The primary purposes of knowledge and records management is to facilitate the capture, curation and sharing of information, expertise, and insights within an organisation. Good retention and access to organisational information can support better decision making, more efficient access to data and provide a basis to support legal or other disputes. Instilling a sound culture of knowledge management can help secure institutional knowledge and promote opportunities for learning and innovation. It can also facilitate improved data security, access to information, mitigate business disruption risks and support improved collaboration. Retaining only the information needed to support the business can also create opportunities for efficiency, by exploiting savings from the reduction of both physical and virtual space.

2.26 Following an evaluation in 2014, WIPO developed an initial knowledge management strategy. Central to this was an Enterprise Content Management system project to introduce a central depository to store documents. Since issues were first identified WIPO's progress has been hesitant. After the first phase of this project was completed in 2020, WIPO commissioned a review to take stock and develop a roadmap to maximise the value from the solution. This review recommended WIPO further standardise on a common platform.

2.27 In 2022, WIPO developed a revised records and archive management (RAM) policy and associated RAM guide. This guide sets out the procedures and guidance for implementing the policy and for protecting the authenticity, reliability, integrity and usability of WIPO's records. In 2023, WIPO finalised a project plan for a new enterprise content and collaboration management (ECCM) system and appointed a new Chief Data Officer, to support enhancement of data governance and management across the Organization.

2.28 The ECCM project will accelerate WIPO's digital transformation and has a budget of CHF8.8 million and is due for completion in 2026. It is focused on content

management and collaboration and in providing an improved user experience. The intention is that this will facilitate improved ways of working, promote greater efficiency, access and governance over information assets. To enable WIPO to move forward in its records management, it is important for the project to have greater visibility and impetus, supported by improvement in the culture of the organisation. WIPO informed us that in planning for the new system attention will be given to staff training to support new working practices and to ensure the tools facilitate a cultural shift.

2.29 It is important that every organisation identifies its data ‘crown jewels’ to frame the approach to data retention and management. Our discussions with management have highlighted that alongside its IP Registration data, the organisational data encompass items such as, Treaties, critical business continuity documents and Governing Body meeting documents. These are kept in the custody of the respective business/information owners, who are responsible for their management.

2.30 WIPO has not clearly articulated its organisational information assets within its aims for the ECCM. Without a systematic approach to records management, and a clear identification of important data, this could increase the risk that useful information and institutional memory will be lost and result in unnecessary holding costs. Much of the organisational information that is held is not yet being handled according to archival management standards, making access difficult. A high proportion of the information is digital – WIPO’s recent Digital Cleanup week identified some 46 terabytes of data on the shared drives alone, – there are also significant hardcopy records. While there will be important information to retain institutional memory, it is highly likely that much of this information is inactive and should either be permanently archived or securely destroyed.

2.31 The launch of the policy and the investment in the ECCM project provide WIPO with a platform to improve its approach to records and knowledge management. A significant investment is being made in these tools and a dedicated and experienced team are in place to help this initiative succeed. While these arrangements should improve WIPO’s records management, we felt current plans and policies could be enhanced by the addition of a short overarching strategy element. It should encompass a clearer plan for identifying key information assets, the key aims and benefits and how it will deliver changes in organisational culture which will be critical to achieving the intended benefits of the investment.

PART THREE

COMPENDIUM

2.32 Over the course of our mandate, we have reviewed how WIPO manages its resources, providing our observations and recommendations in key areas of the Organization. Our reporting has encompassed how WIPO manages human resources, makes best use of its significant reserves, how it achieves best value from its External Office network and the strategy for its property estate in Geneva. In this section, we provide an update on how WIPO has developed in these important areas, providing our final observations on progress made.

Human Resource Management

2.33 In 2018, we reviewed how WIPO reported its performance, with reference to the work of the Human Resources Management Department (HRMD). In the context of this review, we made a series of recommendations for the improvement within HR activities. Following the change of leadership and reflecting on the observations in our report WIPO adopted its new HR Strategy in 2021. This refocused WIPO's approach to HR issues and led to structural and strategic changes, addressing key areas we had highlighted in our reporting.

2.34 HRMD was restructured with greater emphasis on priority areas and to provide a better framework to progress from a transactional to a more strategic approach to support the Organization and its people. The new strategy placed more emphasis on diversity and talent management, addressing areas we had identified in our work. The plans established place WIPO in a stronger position to deliver a more agile skilled workforce. Plans also focused on providing better opportunities to meet staff aspirations and to align these with the changing needs and priorities of WIPO. This has been underpinned by a greater commitment and emphasis on providing training which is effective in delivering its objectives.

2.35 In 2022, WIPO established a Learning and Development Task Force to ensure that internal training was more strategically focused, and a framework has been developed to ensure training programmes meet both the development and business needs of employees and the Organization. These changes should support improved workforce planning and delivery of a more agile workforce.

2.36 On performance management, we had found a bias towards the higher performance categories, with very few underperforming staff. We highlighted that a more effective performance system, which utilises the full range of assessment gradings, would provide opportunities for management to identify both its talent and those needing additional support and training. In 2021, WIPO commissioned an external review, which built on our findings, identifying the need for changes in WIPO's performance management system. These included the need for more objectivity, recognition, and development, with enhanced support for managing under-performance and better performance calibration to drive consistency and equity. Following the initial roll-out of calibration, its use is being reviewed following concerns raised about its application. We recognise that calibration and a more relative performance assessment process represent a significant shift in organisational culture. It remains important to support managers and staff in applying such new arrangements, and these need to be underpinned by appropriate development and training offers.

2.37 In 2024, the Performance Management Policy has been revised to streamline the assessment of staff performance. This has begun the process of empowering staff to actively engage in their own performance management and to create a culture which recognises the role of constructive feedback. We see these as positive changes which align with good HR practices, addressing the issues we highlighted in our work. Management should review the operation of these changes after a couple of years to consider their effectiveness and the realisation of intended benefits.

2.38 We recommended the need for improvements in the management of staff absence. HRMD subsequently strengthened its arrangements and approach. We have seen evidence of improved compliance monitoring and greater intervention when staff are absent. This has been complemented by improved support for both the returning employee and their managers, to ensure the return to work can be better facilitated. We have seen a positive change in WIPO's approach to staff engagement. Underpinning this is the use of new tools and communications with staff. Surveys are now used to track employee experience and provide information to monitor the impact of changes and the effectiveness of the new strategy.

2.39 Overall, there have been significant developments in HRMD since we reported in 2018. WIPO has taken sound actions to enhance its approach to HR matters and has established better processes to engage and develop staff to enhance the effectiveness of the Organization. These changes will continue and at a point in time, WIPO should formally evaluate progress against the HR Strategy to ensure that the initiatives are maximising the potential and performance of staff in delivering WIPO's overall goals and objectives.

The use of reserves

2.40 In 2020, we examined WIPO's strategy for using reserves in the context of the Capital Master Plan (CMP). We considered the decision-making process for the selection and reporting of individual projects and how these link to WIPO's overall strategy. Unlike many other international organisations, WIPO's revenue generating model means it does not have the same incentives or pressures to demonstrate the need for prioritisation or cost efficiency. This makes it more important that the CMP, and the individual project business cases, are transparent and robust, subject to effective challenge processes and regularly evaluated. The results of these actions should then inform CMP and project management processes.

2.41 Our observations were aimed at both the strategic focus of the CMP overall and the management of the individual project. At the strategic level, we could not clearly determine how projects had been prioritised within the CMP. We highlighted the importance of investment decisions being driven by need and a clear link to WIPO's objectives. We similarly emphasised the importance of good governance over successful capital projects. At the time of our review, special projects had lost their "extra-ordinary" characteristics which, in our view, should have reflected the importance and distinct nature of the investment. We found that this resulted in project funding for more general purposes, such as estate maintenance. This resulted in a loss of strategic focus and challenged the concept of the CMP being a coherent portfolio of special and significant projects. Arrangements at that time did not distinguish between very large investments and those of a much smaller scale.

2.42 On project management, we felt existing Project Initiation Documents (PIDs) could have been strengthened to provide a sounder basis for the project approval. They did not always have a clear baseline or an articulation of the changes and benefits arising from investment, making it difficult to establish the value and benefit of the

underlying project activities. We also noted that many project risks were generic in nature, and the documentation was not necessarily tailored to the individual circumstances of a project.

2.43 WIPO responded immediately to our initial findings and deferred the CMP proposal from the July 2021 session of the PBC to the September meeting. This was to better align to our recommendations, enhance the strategic nature of the CMP and embed it within the wider objectives of WIPO. At the PBC's Thirty-Seventh Session (June 2024), it is expected that WIPO will present its updated CMP. WIPO is proposing to include further selection criteria, including greater articulation that projects should be of a strategic and special nature, with routine maintenance projects financed from the regular budget. WIPO also proposes a minimum threshold for projects of three million Swiss francs, ensuring the CMP is focused on more significant and strategic project investments.

2.44 The latest CMP proposes two ICT and one building related projects, totalling CHF 43.3 million to be funded from reserves. WIPO considers the ICT projects to be transformative strategic projects which require significant one-time investment. The buildings related project is considered special in nature and cannot be implemented as a routine maintenance project, as we reflect in our work on the estate strategy. While not performing a detailed review of the projects, we noted that the new project proposals were stronger, with an enhanced description of the project implementation approach, a clearer articulation of the project benefits and a better analysis of the potential risks.

2.45 While it is for Member States to determine the appropriateness of the projects for funding under the CMP, it will be for our successors to consider the effectiveness of future implementation. However, we consider that management have responded well, and that WIPO's approach has been significantly improved.

Estates strategy

2.46 In our report last year, we considered how WIPO uses its Geneva estate and the External Offices to deliver its objectives and how it ensures these resources are used efficiently. We identified that multi-year operational plans covering the running of its buildings existed and major works were envisaged through the Capital Master Plan. We observed, however, that there was no articulation of an overall estate strategy for the Organization.

2.47 An estates strategy should provide a clearer view of the needs of the Organization, supporting the efficient and effective delivery of objectives and reflecting the desired ways of working. A strategy provides clarity to underpin investment and to enhance accountability for use of resources. It provides improved transparency by creating a framework against which future investment decisions can be measured and assessed. Our report also highlighted that existing workspaces did not lend themselves to fully fostering the innovative and collaborative environment which the Organization has embraced.

2.48 Following our recommendations, WIPO recognised the need for a new vision and management strategy for its buildings and facilities to align the real estate with organisational goals. In response to our recommendations, WIPO expects to present a new strategy to Member States in 2025 which will:

- consider how to facilitate collaboration and foster innovation, learning from other organisations that have adapted their workplace;
- adapt to the evolving nature of the workforce and to ensure well-being; and
- optimise the use of space and develop smart and sustainable buildings that improve energy efficiency.

2.49 In line with our comments last year, WIPO recognises the need to develop this strategy before presenting Member States with proposals for substantial new investment in its existing infrastructure, such as the renovation of the AB Building. In formulating its plans, WIPO has begun to address the issues we reported and has the basis of formulating a sound strategy for the investment in its estate.

External Offices

2.50 In 2019, noting the Member States interest in the External Office network, we reviewed the existing approach to how the offices network had evolved and how their performance was reported within WIPO's results-based framework. Our review identified the absence of a clear strategy to underpin the development of the network. We made some operational recommendations to enhance accountability of the existing offices and raised other matters to assist the PBC in framing its then planned evaluation of the external office network.

2.51 We recognise that it has remained difficult for Member States to reach a consensus on the role, development, and evaluation of external offices within WIPO. Discussions have focused on differences in agreeing a detailed scope for the evaluation. In our view, Member States may find more cohesion in agreeing a set of overarching principals, or objectives for the terms of reference. Having established such principals, we think it would be appropriate to commission an independent reviewer to formulate the detailed scope and deliver the evaluation report to Member States. This would enable Member States to focus on outcomes from the review, rather than on achieving a consensus on a detailed scope, recognising this is ultimately a General Assembly decision. As previously reported, this exercise should not be undertaken by internal or external audit due to the risks associated with subsequent self-review.

PART FOUR

OTHER MATTERS FOR THE GOVERNING BODIES

4.1 Under the Terms of reference for the External Audit, the Director General is required to report to us on any ex-gratia payments made or cases of proven fraud made or identified during 2023. There were no cases of ex-gratia payments reported to us.

We identified no instances of fraud during our audit work, and no cases of fraud or write-offs related to fraudulent activity were reported to us by the Director General.

PRIOR RECOMMENDATIONS

4.2 In this section we summarise the Organization's progress in implementing past recommendations. Appendix One provides a more detailed review of progress for each prior years' recommendation based on data held in WIPO's TeamCentral as of April 2024. It is the responsibility of management to consider the implementation, tracking and reporting on progress against our recommendations. In our reporting we provide our assessment of the effectiveness of these arrangements and on the status of their implementation.

4.3 Of the 11 recommendations raised for 2022 and those from earlier years that remained in progress, WIPO has implemented five recommendations. Six recommendations remain open or are in progress.

Audit handover

4.4 We look forward to engaging our successors in the handover of the external audit to The Audit Board of the Republic of Indonesia. We have a long-standing relationship with our Indonesian colleagues, and we have a proven track record of securing effective handovers with all our previous audits. We have already prepared for extensive discussions and knowledge sharing to enable the transition to be effective. We will ensure we provide them with our full co-operation and will follow the framework of the UN Panel of External Auditors in handing over key audit documentation. We wish our successors every success in their tenure as WIPO's External Auditors.

ACKNOWLEDGMENTS

4.5 We would like to thank the Director General and his staff for their co-operation in facilitating our audit engagement this year. I would like to take this opportunity to thank the Member States for the confidence they have shown in us during our six-year mandate. During this time, we have seen the Organization face many unprecedented challenges and we have welcomed the opportunity of providing you with observations to improve the management of WIPO and of its resources. We wish the Organization and its Members continued future success in its endeavours to further the promotion and success of intellectual property globally.

[signed] Gareth Davies
Comptroller and Auditor General, United Kingdom - External Auditor
14 May 2024

Appendix One

FOLLOW-UP OF PRIOR YEAR RECOMMENDATIONS

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
2020 (WO/PBC/33/5) R#3	WIPO should accelerate the timetable for IOD to provide an annual opinion over WIPO's governance, risk management and control environment to provide Member States with additional assurance over these key areas of oversight and support the Director General in preparing his Statement on Internal Control.	IOD has developed a roadmap to provide an overall opinion on Risk Management and Internal Controls, to include completion of interim tasks for establishing a fully functional data analytics and continuous auditing activity, increased collaboration with second line functions, and augmenting staff skillsets through the use of a data scientist and IT auditor. The roadmap is designed to provide the first overall opinion in 2025 for the annual period ended as at December 31, 2024.	In its 2023 annual report, IOD has committed to issue an annual overall opinion on the Statement of Internal Control of WIPO. IOD plans to pilot this in 2024 and implement fully in 2025. Based on the commitment made to Member States, we consider this recommendation implemented.	Implemented. Closed.
2020 (WO/PBC/33/5) R#5	WIPO should consider mapping the individual projects against WIPO's core objectives and ranking them to enable Member States to better	As regards the ranking of projects, the recommendation is accepted and will be addressed in future CMP cycles. WIPO planned implementation date: 30/06/2024	We note the Secretariat's response and have commented on the latest CMP in this year's report.	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
	understand the priority areas for investment.			
2020 (WO/PBC/33/5) R#7	WIPO, in consultation with Member States, should reconsider the criteria for the Special Project investments to keep focus on their special and significant nature and make budget provision for wider generic renewal investments and smaller initiatives through the normal budgeting process.	The recommendation is accepted and will be implemented in future CMP and biennial budget cycles. The Secretariat will review the criteria in the Policy for the Utilization of Reserves and update those accordingly. The criteria will form the basis for CMP proposals in future cycles. WIPO planned implementation date: 30/06/2024	We note the Secretariat's response and have commented on the latest CMP in this year's report.	Implemented. Closed.
2021 #1	a) review its approach to documenting, assessing and validating process level controls to focus on those key controls of most significance and materiality to the Organization; and b) assess the completeness of the process level control analysis and develop a roadmap to ensure all	The Controller's Office in its coordination function launched the review and streamlining of Controls including the identification of key controls. The 2023 Control Assessment has already implemented the new methodology which is to review the key controls. This will also be reflected in the Statement of Internal Control for 2023. Closure is requested for this recommendation as all actions have been implemented.	We have discussed the response with the Secretariat and consider further steps can be taken, but the principals have been embraced by management.	Implemented. Closed.

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
	significant management and administrative processes are documented.			
2021 #2	Ensure that it develops a holistic approach and strategy to develop and deploy data analytics that serves the needs of all users within the Organization and creates synergies in training and support.	<p>The recommendation was accepted and with an initial plan to implement data analytics in 2022 and 2023 during the deployment of data analytics in accordance with the strategy and roadmap. The strategy includes the development of analytics for use across the organization, including for, procurement activities (Procurement and Travel Division), human resources management (Human Resources Management Division) and finance (Department of Program Planning and Finance). In addition, there are ongoing discussion with the Internal Oversight Division (IOD) to create synergies. IOD also undertakes continuous auditing and shares the results with management.</p> <p>ACTION PLAN: Consistent with the strategy outlined for data analytics for internal controls, the WIPO will through the ICT / IA Board ensure a coherent strategy for data analytics organization wide. In 2023 progress was made in developing 4 analytics and finalizing</p>	We remain disappointed at the slow progress in developing a suite of business process analytics to support the second line activities.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
		<p>business specifications for 16 others. These will be migrated in 2024 to the new platform consistent with the need to keep a coherent strategy across the organization. The target is to have the 20 analytics deployed by 30/12/2024 and continue further work on additional key analytics with a target of 2025 for full implementation.</p> <p>WIPO revised implementation date: 30/12/2025</p>		
2022 #1	<p>Consider whether the fees for the Unions are set at the appropriate rates to recover costs and determine whether the sustained levels of surplus remain aligned with Member State's intention.</p>	<p>Fees for the Global IP systems are a matter considered and discussed by Member States on a regular basis in the respective Working Groups. The sustainability of Unions is an ongoing discussion in the PBC and WIPO Assemblies.</p>	<p>We note the Secretariat's response. We have reiterated the need to ensure that WIPO's revenue model and levels of surplus remain aligned with Member State's intention.</p>	<p>Implemented. Closed.</p>
2022 #2	<p>Consider the extension of its current conflicts programme to include spouses and close family members.</p>	<p>The Secretariat will be undertaking a risk assessment in 2024, led by Patents and Technology Sector leadership and supported by the Central Risk Team and the Chief Ethics Officer. This will ensure that WIPO suitably protects against IP conflicts of interest. The</p>	<p>We note the Secretariat's response and understand that changes in the Ethics Office during 2023 may have delayed actions on this recommendation. We</p>	<p>In progress.</p>

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
		<p>planned assessment will review the adequacy of the existing package of confidentiality and related disclosures. Further, the Secretariat will undertake an analysis of best practices in conflict management deployed at Intellectual Property offices, identifying opportunities to strengthen the disclosure process and/or ethical guidance.</p> <p>The recommended actions out of the assessment will be presented to the Risk Management Group for final decision WIPO planned implementation date: 30/12/2024</p>	<p>have commented further in the year's report. Management's planned actions are a suitable process to systematically review the approach in this important area.</p>	
2022 #3	Consider the need for ethical guidance on IP related conflicts and how these are reflected in the existing conflicts disclosure programme.	<p>The Secretariat will consider carefully where potential enhancements in scope and coverage may be made, consistent with best practices.</p> <p>WIPO planned implementation date: 30/12/2024</p>	<p>We note the Secretariat's response and understand that changes in the Ethics Office during 2023 may have delayed actions on this recommendation. We have commented further in the year's report.</p>	In progress.
2022 #4	Perform a detailed study of current space utilisation to inform an	<p>The Secretariat is in the process of engaging an expert whose mandate will be to analyze space utilization at WIPO</p>	<p>We note the Secretariat's response and planned implementation date.</p>	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
	overall master property strategy for the needs at headquarters and External Offices.	<p>HQ, including benchmarking of best practices. The analysis is expected to be finalized by the end of 2023 and will form the basis for the implementation of Recommendation 5 below. As far as External Offices are concerned, a dedicated approach for analysis of their respective space utilization remains to be developed.</p> <p>WIPO planned implementation date: 30/06/2024</p>	We have commented further on estate's management in this year's report.	
2022 #5	Following a consideration of its needs, develop an overarching Estates Strategy to demonstrate how the estate will support the delivery of efficient and effective services.	<p>The Secretariat would include the results of the space utilization analysis – covered by EARM 2023-01 recommendation 4 – as one of the components informing its future Estates Strategy.</p> <p>WIPO planned implementation date: 30/06/2025</p>	We note the Secretariat's response and planned implementation date. We have commented further on estate's management in this year's report.	In progress.
2022 #6	Include a balanced scorecard of sustainability metrics and performance in the annual report.	<p>As an initial phase, management will:</p> <ul style="list-style-type: none"> - analyse existing sustainability reporting and tools within the Organization; - consider the main sustainability areas/themes most applicable to the Organization's operations; 	We note the Secretariat's response and planned implementation date.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: April 2024	External Auditor's view	Status
		<p>- develop a list of key metrics under each of these areas/themes;</p> <p>- review the guidance and requirements under existing sustainability reporting frameworks.</p> <p>In addition, and parallel to this, management will continue to monitor developments at the IPSASB, and to follow discussions within the UN system.</p> <p>WIPO planned implementation date: 31/03/2025</p>		

Management Response

The Director General wishes to express his appreciation to the United Kingdom's Comptroller and Auditor General and his staff at the National Audit Office who have worked as WIPO's External Auditor, for their deep oversight expertise, independence, focus on strategic matters and professionalism over the past six years.

In particular, the Director General wishes to thank Mr. Brewitt and Mr. Irwin, who led their audit teams throughout their mandate, for their diligent, collaborative and effective approach to assure Member States and to improve WIPO's financial management, governance, risk management and internal control.

With the audits focused on key strategic areas on financial management, governance and internal control, the outcomes of reviews of knowledge management, human resources, the strategy for using reserves, the overall estates strategy and other areas brought added value. The External Auditor's observations over their mandate have resulted in progress in the maturity of frameworks on risk and results based management and we will carefully consider the observations contained in this year's report.