

WIPO Independent Advisory Oversight Committee

**Thirty-Second Session
Geneva, March 17 to 21, 2014**

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

CONTENTS

Introduction.....3
Agenda Item 1: Adoption of the Agenda.....3
Agenda Item 2: Induction of New Members3
Agenda Item 3: Meeting with the External Auditor.....4
Agenda Item 4: Internal Oversight.....4
Agenda Item 5: Follow-Up On Oversight Recommendations5
Agenda Item 6: New Construction Projects.....6
Agenda Item 7: Ethics.....6
Agenda Item 8: Selected Strategic Matters6
Agenda Item 9: Information Session for Member States7

INTRODUCTION

1. The 32nd session of the WIPO Independent Advisory Oversight Committee (IAOC) took place from March 17 to 21, 2014. Present were the four continuing IAOC members, Mr. Fernando Nikitin (Chair), Ms. Mary Ncube (Vice Chair), Messrs. Anol Chatterji and Nikolay Lozinskiy and three newly appointed members, Messrs. Gábor Ámon, Egbert Kaltenbach and Zhang Guangliang.
2. The purpose of this quarterly session report and the corresponding Information Session for Member States (see paragraph 39) is to keep Member States informed of the IAOC's work in line with the IAOC's terms of reference.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

3. The Committee adopted its Agenda, attached to this report as Annex I. A list of participants is attached as Annex II and a list of session documents is attached as Annex III.

AGENDA ITEM 2: INDUCTION OF NEW MEMBERS

4. As in 2011, an induction program for the new IAOC members was jointly prepared and delivered by the Secretariat and the continuing IAOC members.
5. As part of the program, the IAOC was pleased to meet at its invitation with the Chair of the General Assembly (GA). The GA Chair formally welcomed the new members and expressed Member States' appreciation for the IAOC's work. Views were exchanged, including on the IAOC's role in promoting transparency and openness in the Organization. The IAOC looks forward to future opportunities to meet with officers of the GA and of the Program and Budget Committee (PBC).
6. The Director General welcomed the new members and provided a comprehensive and forward-looking overview of WIPO's strategic objectives and related risks within the context of the rapidly changing external global IP environment.
7. The Assistant Director General of Administration and Management and the Director of Program Planning and Finance (Controller) gave an overview of WIPO's accountability and results based management (RBM) frameworks, and of recent and future work on internal controls and risk management.
8. The Chief Information Officer and Director of the Human Resources Management Department presented WIPO's ICT and HR Strategies respectively.
9. The Director of the Internal Audit and Oversight Division (IAOD) gave an overview of the Division's mandate, structure, staffing and activities, and outlined IAOD's position within WIPO's governance and oversight architecture.

AGENDA ITEM 3: MEETING WITH THE EXTERNAL AUDITOR

10. At its 30th session, the IAOC and External Auditor (EA) agreed to meet twice a year to discuss respectively the EA's annual work plan and the EA's long-form report to Member States.
11. The EA invited IAOC input for its annual work plan. The IAOC suggested that a focus area could be WIPO's conformity with International Public Sector Accounting Standards (IPSAS), including the treatment of the reserves and of liabilities, such as after-service health insurance (ASHI).
12. The IAOC and EA will next meet at the IAOC's 34th session (August) to discuss the EA's long-form report to Member States.

AGENDA ITEM 4: INTERNAL OVERSIGHT

Progress report and 2014 oversight plan

13. The Director of IAOD stated that IAOD had achieved all of its objectives as set out in the Program and Budget for the 2012/13 biennium, and briefed the IAOC on IAOD's work in the first quarter.
14. The IAOC took note of IAOD's 2014 oversight plan. It requested, and the Director of IAOD agreed, that future annual oversight plans would be submitted in draft form to the IAOC for its review and comments prior to finalization.

Internal Oversight Charter

15. The IAOC will continue its review of proposed revisions to the Internal Oversight Charter and share additional proposals, if any, with the Director of IAOD at its next session.

Internal Audit, Evaluation and Investigation

16. The IAOC discussed jointly with Management officials (as report recipients) and IAOD three internal audit reports on, respectively, the Madrid and The Hague Systems (revenue generation process), Funds-in-Trust, and Information Security.
17. This approach, which the IAOC introduced at its last session, greatly facilitates the Committee's understanding of the business context, Management's appreciation of risk, and how and when recommendations can be implemented. The IAOC will continue to review IAOD reports using this format, including for three new audit and two new evaluation reports already received.
18. The IAOC noted an overall improvement in the quality of management action plans and wishes to emphasize adherence to committed deadlines.
19. Regarding investigations, the Director of IAOD reported on the current caseload. He informed the IAOC that the post of Head of the Investigation Section had become vacant and that recruitment of a new Section Head is ongoing.

Meeting of Heads of Internal Audit in Organizations in Europe (HOIA)

20. The Director of IAOD invited the IAOC to be represented at a meeting of the HOIA, to be hosted by IAOD at WIPO in April 2014. Mr. Gábor Amon will represent the IAOC at that meeting.

AGENDA ITEM 5: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

IAOC Recommendations

21. At its 31st session, the IAOC recommended an amendment to the Financial Regulations and Rules (FRR) and streamlining of the process by which Management action plans are included in audit reports.
22. In line with a procedure agreed at its 22nd session, the Director General provided comments on the IAOC's recommendations. The IAOC was advised that in line with its recommendations at its 31st session the Secretariat plans to present to the GA in October 2014, for its adoption, an amendment to the FRR to supplement the provisions established in Article 11(4)(e) of the WIPO Convention regarding the scenario of non-approval of the budget prior to the beginning of a new financial period.
23. The Director General will also take action to streamline the process by which Management action plans are included in audit reports, including a memorandum from the Director General to Program Managers recalling their responsibility to take adequate and timely action in response to oversight recommendations, as set out in Office Instruction No. 16/2010.

Joint Inspection Unit recommendations

24. The IAOC was briefed on the status of implementation of JIU recommendations, which it will review in detail at its next session in May.

IAOD and External Auditor Recommendations

25. The IAOC recalled the GA's approval of a PBC recommendation that the IAOC should continue to review and provide oversight on the implementation of internal and external audit recommendations in accordance with its mandate.
26. The IAOC is focusing on specific aspects of the follow-up process, including early identification of closure criteria, action planning (including timelines) and updating of risk appreciation.
27. Follow-up on all oversight recommendations is carried out by the IAOC twice a year. On very high risk recommendations, the IAOC will follow up on a quarterly basis. In addition, the IAOC will review high risk recommendations closed without implementation following any Management-IAOD disagreement on a recommendation's validity and the consequent acceptance by Management of residual risk. In the IAOC's view, residual risk acceptance should be recorded as part of WIPO's risk management processes and reviewed periodically.
28. The IAOC was informed that the EA had been given access to the TeamCentral© software program used by IAOD, which will enable the EA to interact directly with Management following up on its recommendations. This will allow IAOD to continue to consolidate reports regarding the status of open recommendations for presentation to the IAOC and PBC as needed.
29. As of February 2014, 158 oversight recommendations were open, four of which were of very high priority and 113 of high priority. Of these, 47 recommendations had been open for over two years, of which 35 were high priority and four very high priority.

AGENDA ITEM 6: NEW CONSTRUCTION PROJECTS

30. The IAOC received copies of monthly written briefings to Member States that, pursuant to a PBC decision (document A/50/14) and a subsequent agreement with Member States, had been posted on the New Construction Projects (NCPs) page on the WIPO's website.

31. The Committee was briefed orally and in writing on progress on the NCPs. Following its request at its last session, it received New Conference Hall Project (NCHP) statutory inspection reports on quality assurance and technical compliance with fire and other safety regulations. It was informed that, in line with IAOC advice at that session, NCHP risk registers are now being updated on a monthly basis.

32. The IAOC suggested that a column showing an accumulative expenditure, to include amounts already paid out by the former general contractor, should be added to the table "Status by Components awarded by WIPO" that appears in Annex III of the Secretariat's quarterly progress report to the IAOC.

33. The Secretariat stated that five of six recommendations contained in a 2013 internal audit report had been closed. The only remaining open recommendation, which concerns final settlement with the former general contractor, was expected to be implemented in June 2014. In this regard, the Secretariat stated that costs for corrective works could be covered by drawing on the bank guarantee established by the former general contractor and valid until the end July 2014. This matter was currently under consideration and legal advice was being sought from an external law firm engaged in 2012.

AGENDA ITEM 7: ETHICS

34. The Chief Ethics Officer gave an overview of the mandate and functions of the Ethics Office for the benefit of the new IAOC members. He also briefed the IAOC on the current status of work, including on the envisaged introduction of a more robust financial disclosure system.

35. The IAOC stands ready to provide its input on the development of the more robust financial disclosure system including through a review of the draft policy.

36. The functioning of the Ethics Office as an independent Office within the Office of the Director General was discussed, as was coordination between the Ethics Office and two other independent functions, the Ombuds-function and IAOD, as well as coordination between the Ethics Office and HRMD. In line with its mandate to review the collective internal oversight coverage of various WIPO functions, the IAOC will continue its review of current arrangements and practices.

AGENDA ITEM 8: SELECTED STRATEGIC MATTERS

37. The IAOC discussed with Management the Capital Master Plan (CMP) presented to Member States in September 2013 (document A/51/16). It saw scope for improvement to the Plan and made a number of suggestions that Management accepted. Management agreed to present to the IAOC a revised format for the Plan.

38. CMP linkage with WIPO's ICT and other strategies was discussed. The IAOC noted an important milestone with ISO/ICE 27001:2005 certification of information and IT systems used to administer Patent Applications, an award that certifies that WIPO's Information Security Management System for patent applications is operating in accordance with international standards.

AGENDA ITEM 9: INFORMATION SESSION FOR MEMBER STATES

39. An Information Session for Member States was held. The Member States' representatives welcomed the new members. The IAOC briefed the representatives on deliberations during its session as summarized in this report and answered questions on all agenda item topics.

CLOSING REMARKS

40. The IAOC would like to thank the Secretariat for its cooperation and to place on record its appreciation for the interest taken by Member States in the IAOC's work.

41. The next session will take place from May 19 to 22, 2014.

[Annex I follows]

Annotated Agenda

Monday, March 17, 2014

- 10:30 **Agenda Item 1: Adoption of the Agenda**
- 11:00 **Agenda Item 2: Induction for New Members**
- (a) Secretariat Induction
 Overview by the Director General:
 - WIPO Overview
 - Director General's Overview
 - ICT Strategy
- 15.00 Secretariat Induction (cont.)
 Selected Administrative & Management Topics:
 - Strategic Framework
 - Results-based Management
 - Regulatory Framework
 - Risk Management and Internal Controls
 - ICT
 - Human Resources Management

Tuesday, March 18, 2014

- 10.00 **Agenda Item 2 (cont.): Induction for New Members**
- (b) Induction by IAOC Continuing Members
- (c) Meeting with the Chair of the WIPO General Assembly
- (d) Presentation on internal oversight
- 15.00 **Agenda Item 3: Meeting with the External Auditor**
 - EA 2014 work plan
 - Follow-up on EA-IAOC meeting August 2013
- 17.00 IAOC Internal discussions

Wednesday, March 19, 2014

- 10.00 **Agenda Item 4: Internal Audit and Oversight**
- (a) Internal Audit and Oversight
 - Proposed revisions to the Internal Oversight Charter
 - IAOD quarterly progress report
 - Internal oversight work plan for 2014

 - (b) Internal Audit
 - Follow-up on IAOC/31 recommendation on streamlining of audit report action plans
 - Review of internal audit reports carried over from IAOC/31
 - Internal audit reports

 - (c) Evaluation
 - Evaluation reports
- 12.00 **Agenda Item 5: Follow-up on Oversight Recommendations**
- IAOC recommendations
 - JIU recommendations
 - IAOD update on the status of implementation of oversight recommendations
- 15.00 **Agenda Item 6: New Construction Projects**
- Quarterly progress report
 - IAOC review of statutory inspection reports
 - Secretariat update on risk registers, status of implementation of internal audit recommendations, and update on defects *vis-à-vis* bank guarantees
- 17.00 **Agenda Item 4: Internal Audit and Oversight (cont.)**
- (d) Investigation
 - Update on status of investigations
 - Investigation management implication report(s)

Thursday, March 20, 2014

- 10.00 **Agenda Item 7: Ethics**
- Presentation on Ethics Office for new members
 - Briefing on status of work
- 12.00 **Agenda Item 8: Selected Strategic Matters**
- Capital Master Plan including ICT related projects
- 15.00 **Agenda Item 10: Other Matters**
- 16.00 IAOC Internal discussions

Friday, March 21, 2014

- | | |
|-------|---|
| 10.00 | IAOC internal discussions |
| 11.00 | Agenda Item 9: Information Session for Member States |
| 15.00 | Report writing |

[Annex II follows]

List of Participants

Agenda Item 2: Induction for New Members

Chair of the WIPO General Assembly; Director General;
Assistant Director General, Administration and Management Sector;
Director, Program Planning and Finance (Controller); Chief Information
Officer; Director, Human Resources Management Department;
Director, Internal Audit and Oversight Division (IAOD).

Agenda Item 3: Meeting with the External Auditor

External Auditor.

Agenda Item 4: Internal Audit and Oversight

Internal Audit and Oversight Division: Director, IAOD;
Head, Audit Section; Head, Evaluation and Inspection Section.

Management joined for discussions as follows:

Internal audit report on the Madrid and The Hague Systems:
Deputy Director General, Brands and Designs Sector;
Senior Director, Madrid Registry; Director, Registries Support
Division; Director, Operations Division, Madrid Registry;
Director, The Hague Registry; Senior Administrative Officer,
Brands and Designs Sector.

Internal audit report on Funds-in-Trust: Assistant Director General,
Administration and Management Sector; Assistant Controller.

Internal audit report on information security: Assistant Director
General, Administration and Management Sector;
Chief Information Officer.

Agenda Item 5: Follow-up on Oversight Recommendations

Director, IAOD; Head, Audit Section; Head, Evaluation and Inspection
Section; Senior Internal Auditor, Audit Section.

Agenda Item 6: New Construction Projects

Assistant Director General, Administration and Management Sector;
Director, Program Planning and Finance (Controller); Director, Premises
Infrastructure Division.

Agenda Item 7: Ethics

Chief Ethics Officer.

Agenda Item 8: Selected Strategic Matters

Assistant Director General, Administration and Management Sector;
Director, Program Planning and Finance (Controller); Chief Information
Officer; Assistant Controller; Director, IAOD.

[Annex III follows]

List of Documents

Agenda Item 4: Internal Audit and Oversight

(a) Internal Audit and Oversight

2014 Oversight Plan Status of Work – March 2014

Proposed revisions to the Internal Oversight Charter

Oversight Work Plan 2014, dated January 24, 2014

Draft Agenda for a Meeting of the Heads of Internal Audit (HOIA), Geneva, April 24 & 25, 2014, to be hosted at WIPO

(b) Internal Audit

Internal Audit Report IA 2013/01: “Audit of Information Security at WIPO”, dated February 25, 2014

Internal Audit Report IA 2013/03: “Management of Staff Separation from Service”, dated February 25, 2014

Internal Audit Report IA 2013/04: “Audit of Data Migration to the New Human Resources Management System”, dated January 23, 2014

Internal Audit Report IA 2013/05: “Audit of Results Based Management”, dated March 14, 2014

Carried over from IAOC/31: Internal Audit Report IA 2013/02 “Audit of Madrid and The Hague Systems (Revenue Generation Process)”

Carried over from IAOC/31: Internal Audit Report IA 2013/06 “Funds-in-Trust Managed by WIPO”

(c) Evaluation

Evaluation Report EVAL 2013-05: “Country Portfolio Evaluation. Thailand”, dated March 4, 2014

Evaluation Report EVAL 2013-06: “Support Services to the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC)”, dated December 9, 2013

(d) Investigation

Update on status of investigations.

Management Implication Report: WIPO electronic security systems (reference IAOC-INV-2013-07), dated December 18, 2013.

Memorandum from Director, IAOD to Chair, IAOC, dated March 14, 2014 “IAOD-INV-13-16 – Referral pursuant to para. 5 of the Internal Oversight Charter.”

Agenda Item 5: Follow-up on Oversight Recommendations

Director General's comments on open IAOC recommendations, dated February 28, 2014

IAOD update on the status of implementation of oversight recommendations, dated February 5, 2014

Details on open oversight recommendations with high risk status and/or more than two years old

Joint Inspection Unit Recommendations as February 24, 2014

Office Instruction 16/2010 "Implementation of Oversight Recommendations. Reporting Procedures, Roles and Responsibilities", dated May 14, 2010

Agenda Item 6: New Construction Projects

Monthly reports to Member States on the New Construction and New Conference Hall Projects: November 31, 2013; January 31, 2014 and March 12, 2014

Quarterly Progress report prepared by the Secretariat for IAOC/32

Agenda Item 7: Ethics

Guide to Ethics at WIPO

Office Instruction 25/2010 "WIPO Ethics Office", dated June 9, 2010

Office Instruction 84/2012 "WIPO Code of Ethics", dated December 28, 2012

Office Instruction 58/2012 "Policy to Protect Against Retaliation for Cooperating in an Oversight Activity or Reporting Misconduct or other Wrongdoing ("Whistleblower Protection Policy")", dated November 9, 2012

Annual Report of the Chief Ethics Officer (document WO/CC/67/2, Annex III)

Agenda Item 8: Selected Strategic Matters

Document A/51/16 "Capital Master Plan"

WIPO IT Strategy, v03 dated November 15, 2013

WIPO ISO 27001 Certificate

Internal Audit Report IA 2013/01: "Audit of Information Security at WIPO", dated February 25, 2014.

[End of Annex III and of document]