

## **WIPO General Assembly**

**Forty-Sixth (25<sup>th</sup> Extraordinary) Session**  
**Geneva, September 22 to 30, 2014**

**REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT  
COMMITTEE (IAOC)**

*prepared by the Secretariat*

1. The present document contains the Report by the WIPO Independent Advisory Oversight Committee (IAOC), which is being submitted to the WIPO Program and Budget Committee (PBC) at its twenty-second session (September 1 to 5, 2014).
2. Any decisions of the PBC in respect of that document will appear in the List of Decisions taken by the Program and Budget Committee at its Twenty-Second Session (September 1 to 5, 2014) (document A/54/5).

[Document WO/PBC/22/2 follows]



## Program and Budget Committee

**Twenty-Second Session**  
**Geneva, September 1 to 5, 2014**

REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT  
COMMITTEE (IAOC)

*prepared by the Secretariat*

1. This document contains the Report by the WIPO Independent Advisory Oversight Committee (IAOC), prepared by the IAOC and covering the period September 1, 2013, to August 31, 2014.

2. The following decision paragraph is proposed:

3. *The Program and Budget Committee recommended to the WIPO General Assembly to take note of the Report by the WIPO Independent Advisory Oversight Committee (IAOC) (document WO/PBC/22/2).*

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



ANNUAL REPORT OF THE  
WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE  
FOR THE PERIOD SEPTEMBER 1, 2013 to AUGUST 31, 2014

August 22, 2014

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## I. INTRODUCTION

1. In line with its terms of reference, the WIPO Independent Advisory Oversight Committee (IAOC) submits an annual report to the Program and Budget Committee (PBC) and to the WIPO General Assembly (GA).

2. The IAOC is an external expert advisory body that assists Member States with oversight of WIPO's operations. It comprises seven members drawn from WIPO's geographical groups who serve in their personal capacity and independently of Member States. The IAOC's mandate includes the promotion of internal controls, focusing assurance resources and oversight of audit performance. It also reviews and oversees activities and projects such as the New Construction Projects.

3. The present annual report covers the period September 1, 2013 to August 31, 2014. Section II of the report provides an overview of IAOC sessions, composition and working methods. Sections III and IV detail matters reviewed by the IAOC during the period.

## II. QUARTERLY SESSIONS, COMPOSITION AND WORKING METHODS

### *Quarterly Sessions*

4. During the period, the IAOC held four quarterly sessions: from November 26 to 29, 2013 (31<sup>st</sup> session); from March 17 to 21, 2014 (32<sup>nd</sup> session); from May 19 to 22, 2014 (33<sup>rd</sup> session); and from August 18 to 22 (34<sup>th</sup> session). In line with its terms of reference, the IAOC issued a quarterly report after each session. In compliance with a GA decision,<sup>1</sup>an Information Session for Member States was held at each session.

### *Committee Composition*

5. A rotation of the IAOC membership took place on January 31, 2014. The three outgoing members were:

- Mr. Kjell Larsson (Group B)
- Mr. Ma Fang (China)
- Mrs. Maria Beatriz Sanz Redrado (Group B).

The three incoming members were:

- Mr. Gábor Ámon (Group of Central European and Baltic States)
- Mr. Egbert Kaltenbach (Group B)
- Mr. Zhang Guangliang (China)

The four continuing members were:

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

6. Following rotation, the Committee continues to reflect the right mix of skills, expertise and collegiality in its composition.

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<sup>1</sup> Document WO/GA/34/15

7. As in 2011, an induction program for the new IAOC members was jointly prepared and delivered by the Secretariat and the continuing IAOC members. As part of the program, the Chair of the GA addressed the IAOC at its invitation. 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 PBC.

8. At its 31<sup>st</sup> session (December 2013), the IAOC re-elected Mr. Fernando Nikitin and Ms. Mary Ncube as Chair and Vice Chair respectively.

#### *Working Methods*

9. The Committee is non-operational, basing its observations on the information provided by the Secretariat and/or the internal and external auditors. Its working methods are documentation review and discussions with Secretariat officials and with the External Auditor (EA), followed by internal deliberations to reach consensus.

### III. PROPOSED REVISIONS TO THE INTERNAL OVERSIGHT CHARTER

10. The IAOC undertook a review the WIPO Internal Oversight Charter in consultation with the Director, Internal Audit and Oversight Division (IAOD), and proposed certain revisions as contained in document WO/PBC/22/22. The principal proposed revisions are:

- a) Change name of "Internal Audit and Oversight Division (IAOD)" to "Internal Oversight Division (IOD)" (as internal audit is an integral element of internal oversight and there is no reason to single-out audit among oversight functions);
- b) Clarify the mandatory nature of the applicable standards for internal audit, evaluation and investigation;
- c) Strengthen the IAOC's involvement in the preparation of the IAOD work plan ("review and advice");
- d) Insert a new section on "Conflict of Interest", which addresses various situations of potential conflicts of interest, in particular with regard to investigations;
- e) Extend the possibility for complaints of alleged misconduct to "any other internal or external party";
- f) Grant public access to IAOD audit and evaluation reports with a provision for exceptionally redacting or withholding reports on specific grounds;
- g) Highlight the need for interaction between IAOD and other assurance providers as well as the Ethics Office and the Ombudsperson;
- h) Clarify the provision for dismissal of the Director, IAOD ("on specific grounds"); and,
- i) Extend, for future incumbents, the non-renewable term of office of the Director, IAOD to six years (same term limit as for External Auditor (EA)).

11. At its 34<sup>th</sup> session, the IAOC received a number of suggestions from two Member States, aimed at adding to clarity and transparency. The IAOC considered those suggestions in detail and provided its feedback in informal discussions with representatives of those Member States.



#### IV. MATTERS REVIEWED

##### A. External Audit and Financial Reporting

###### *External Audit*

12. The IAOC met the EA at its 32<sup>nd</sup> session to discuss topics for the EA's 2014/15 workplan, and again at its 34<sup>th</sup> session to discuss the EA's draft report to Member States. The IAOC regrets that the final report was not available at the time of the session.

13. The IAOC noted that the EA has expressed an unqualified opinion on the Financial Statements for the year 2013.

14. The IAOC sought clarification on the scope of some of the audit recommendations and suggested categorizing the recommendations in the report by level of priority.

15. The IAOC noted that some issues included in the EA's report indicated diverging views between the EA and Management. The Committee discussed these issues with Management and provided suggestions to resolve them.

16. At its 34<sup>th</sup> session, the IAOC reviewed the EA's 2014/15 workplan, which it will review at its next session within the context of a review of the draft 2015 workplan of IAOD in order to ensure coordination and avoid duplication of audit effort.

###### *Financial Reporting*

17. At its 33<sup>rd</sup> session, the IAOC reviewed with Management the unaudited 2013 Financial Statements and a subsequent version of the same Statements with changes reflecting the EA's comments. The IAOC sought clarifications on a number of points including the change in accounting policy adopted for recognition of PCT revenue and treasury management. Overall, the IAOC was pleased with the improved information value of the Financial Statements.

18. At that session, the WIPO International Public Sector Accounting Standards (IPSAS) expert gave a presentation on IPSAS aspects of WIPO's 2013 Financial Statements, which the IAOC found very clear and informative. The IAOC recommended that a similar IPSAS presentation be made available to Member States.

19. At its 34<sup>th</sup> session, the IAOC received the audited 2013 Financial Statements and noted that there were no changes to the draft version reviewed at its 33<sup>rd</sup> session.

20. The IAOC also noted that the Secretariat would be submitting to the PBC a document "Review of WIPO's Financial Position and its Policies related to Reserves" (WO/PBC/22/28). The Committee welcomed the efforts made by Management to clarify the matter of the reserves. The IAOC has already had several discussions with Management on the reserves within the context of financial reporting and it looks forward to continued discussions within the framework of this Review.

##### B. Internal Oversight

###### *IAOD Resources and Staffing*

21. During the period, IAOD had a total of 11 positions. In January 2014, the post of Head of Investigation Section became vacant; a new Head of Section was appointed in July 2014. As a result, the position of a Senior Investigator became vacant. All other positions remained staffed during the reporting period. The IAOC concurs with the assessment of the Director, IAOD that,

as of today, the overall resource level of IAOD appears adequate to conduct proper internal oversight in WIPO. The IAOC took note of the Director's proposal to convert the vacant Senior Investigator position into a Senior Evaluator position, in response to the findings of the external review of the evaluation function and of the Joint Inspection Unit's (JIU) Review of Management and Administration in WIPO.

#### *IAOD Work Plan*

22. During the reporting period, the IAOC reviewed quarterly progress reports of the Director, IAOD on the implementation of the work plan and discussed work plan implementation with the Director at each of its sessions. The IAOC is pleased to note that IAOD's 2013 work plan was fully implemented and that progress on the 2014 work plan remained on track. At its 32<sup>nd</sup> session the IAOC took note of the IAOD work plan for 2014 and was satisfied that the various oversight assignments planned are expected to ensure adequate internal oversight coverage in WIPO.

#### *External Quality Assessments of the Internal Audit and of the Evaluation Functions*

23. The IAOC reviewed the external assessments of the internal audit and of the evaluation functions respectively. It commended the Director, IAOD on the very positive assessment results for the internal audit function, which attested IAOD's general conformity with the International Standards for Internal Auditing, and notes that Management, the EA and Member States can place reliance on the work of that function. The evaluation function was assessed as generally consistent with the norms and standards of the United Nations Evaluation Group (UNEG). The IAOC is pleased to note that IAOD has established action plans to address areas for further improvement, including strengthening the evaluation capacity, and has started to implement them. The IAOC will review the status of implementation in future sessions.

#### *Internal Audit*

24. During the period, the IAOC established a general practice of reviewing internal audit and evaluation reports, whenever feasible, jointly with Management (as report recipients) and IAOD; an approach that facilitates the IAOC's understanding of the business context, Management's appreciation of risk and how and when recommendations can be implemented.

25. Eight internal audit reports were reviewed on, respectively: information security, Madrid and Hague Systems revenue generation processes, staff separation from service, data migration to the new human resources management system, Results-Based Management, Funds-in-Trust, events management, and management of staff benefits and entitlements.

26. The IAOC made a recommendation on the process of management action planning and subsequently observed improvements. It was also pleased to observe from the content of the internal audit reports reviewed in at its 33<sup>rd</sup> session an ongoing IAOD-Management dialogue and implementation of certain recommendations during the audit fieldwork stage.

27. The report on management of staff benefits and entitlements raises a number of internal control issues with possible financial implications that the IAOC views as a matter of concern. The IAOC recommends that WIPO align its policies and procedures with the practices in place in other organizations of the UN Common System.

### *Evaluation*

28. Four evaluations reports were reviewed on, respectively: the WIPO Patent Law program, a country portfolio (Thailand), support services to the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC), and knowledge sharing.

29. The findings of the evaluation report on knowledge sharing in WIPO correlate with those of the JIU's Review of Management and Administration in WIPO. The IAOC wishes to highlight the need for a content management system and for a formal knowledge sharing policy.

### *Investigation*

30. The IAOC was regularly briefed on the status of ongoing investigation cases and their outcome. In several cases the IAOC, upon request of the Director, IAOD, provided advice on conflicts of interest situations in order to mitigate and reduce their effects.

31. When reviewing the caseload statistics, the IAOC noted the high proportion of complaints stemming from workplace-related conflicts and grievances. Most of these complaints were found, after preliminary evaluation or after full investigation, not to be substantiated. The IAOC is concerned about the heavy usage of investigation resources for such cases. It expects that the new policies on the resolution of workplace-related conflicts and grievances, introduced in 2014, will allow IAOD to focus its activities on core cases of misconduct. The IAOC also strongly encourages Management to promote further the informal resolution of conflicts and grievances, whereas investigation should be the recourse of last resort.

32. The IAOC welcomes the fraud risk assessment conducted by IAOD and expects that it will lead WIPO to intensify its efforts to enhance the prevention, deterrence and detection of fraud and corruption.

### C. Follow-up on Oversight Recommendations

33. In October 2013, the GA approved PBC recommendations that the IAOC should continue to review and oversee implementation of internal and external audit recommendations in accordance with its mandate, and follow up on the implementation of recommendations issued by the JIU.

#### *Internal oversight and external audit recommendations*

34. During the period, the IAOC focused on specific aspects of the follow-up process, including early identification of closure criteria, action planning and updating of risk appreciation. Furthermore, it began reviewing on a quarterly basis very high risk recommendations and high risk recommendations closed without implementation, the latter with management acceptance of residual risk. The IAOC advised the establishment of a review mechanism for recommendations over three years old with the possibility of reframing and/or restating such recommendations as appropriate.

35. As at August 2014, 195 recommendations were open, 85 per cent of which were less than 18 months old. Two are of very high priority and 121 of high priority.

*JIU recommendations*

Review of Management and Administration in WIPO

36. At its 33<sup>rd</sup> session, the IAOC met with the JIU Inspectors to exchange views on the recently completed Review of Management and Administration in WIPO (JIU/REP/2014/2); the Executive Secretary also attended the meeting. At its 34<sup>th</sup> session, the IAOC reviewed the Secretariat comments on the above Review and was pleased to note that Management had accepted all the recommendations addressed to it, and had already initiated action for their implementation.

Report on the Implementation of the Joint Inspection Unit (JIU) Recommendations for the review of WIPO Legislative Bodies

37. Pursuant to the GA decision to entrust to the IAOC the review and oversight of all audit recommendations, including those of the JIU, the IAOC discussed the progress of implementation of open JIU recommendations with the concerned members of Management. The IAOC observed that there was progress in this regard.

D. New Construction Projects

38. The IAOC has been tasked with oversight of the New Administrative Building Construction Project since its inception, a role subsequently extended to the New Conference Hall Project.

39. During the period, the IAOC met the Assistant Director General for Administration and Management and the Director of the Premises Infrastructure Division at each quarterly session and received detailed progress reports.

40. The IAOC had previously received an IAOD report “Audit of WIPO Construction Projects” (IA/2012-06). The Committee had noted that the New Conference Hall Project was nearing completion and the Hall would be inaugurated in September 2014. Nevertheless, it will continue to follow up on the remaining open recommendation in respect of the Project.

41. At its 34<sup>th</sup> session, the IAOC had the opportunity to discuss with Management the EA’s draft report on the “Construction of the New Conference Hall Project (NCHP)”. The Committee will study the EA’s final report together with the Management responses to the issues raised and recommendations made. Follow-up on the EA’s recommendations would also be undertaken in the light of this.

E. Ethics

42. The IAOC’s terms of reference provide for promotion of internal control, *inter alia*, by reviewing arrangement for checks and balances in areas such as ethics, financial disclosure, fraud prevention and misconduct.

43. The IAOC met the Chief Ethics Officer at its 32<sup>nd</sup> session and took note of the intent to strengthen the financial disclosure system in WIPO. The IAOC stands ready to review and provide advice on the proposed new financial disclosure policy.

44. Given the independence of the ethics function from all other Programs in WIPO, the IAOC suggests that Management consider issuing the Annual Report of the Ethics Office as a stand-alone report for submission to the PBC rather than as an annex of the Report on Human Resources.

45. The IAOC also feels that the annual work plan of the Ethics Office could benefit from review and advice by the Committee prior to its finalization.

## F. Selected Strategic Matters

46. At its 34<sup>th</sup> session, the IAOC reviewed selected documents prepared for the 22<sup>nd</sup> session of the PBC and made the following observations:

### *Program Performance and Financial Reviews*

47. The IAOC noted a significant improvement of the quality of information contained in the Program Performance Report. This was confirmed by the validation report of IAOD. The IAOC also noted that further improvement is needed as a number of WIPO programs are still facing challenges in gathering, analyzing and reporting sufficient, comprehensive and relevant data to enable an assessment of performance.

48. The IAOC noted with concern the number of reports being submitted in this area, their growing volume and the extent of duplicated information. The IAOC therefore welcomes the Secretariat's proposal to reform and enhance program performance and financial reporting (WO/PBC/22/27) as a step to consolidate reporting, avoid redundancies and significantly reduce the volume of the reports.

### *Progress Report on Projects under the Capital Master Plan*

49. At its 32<sup>nd</sup> session, the IAOC reviewed the 2014-2019 Capital Master Plan. The IAOC suggested a number of changes to the format of the Plan in order to enhance its information value, making costs estimates more transparent, linking the plan to organizational strategies and aligning the plan's reporting cycle with WIPO's biennial planning and reporting. The IAOC was pleased to see that the suggested changes are now reflected in a revised Capital Master Plan format, which the Secretariat shared with the IAOC at its 34<sup>th</sup> session. Management will use this revised format in its future submissions.

### *Annual Report on Human Resources*

50. The IAOC noted with approval the report presented by the Director of HRMD, particularly with respect to the emphasis on addressing the concern of Member States with respect to equitable geographical representation.

## V. CLOSING REMARKS

62. The IAOC wishes to thank the Director General, Management and the Director of IAOD for their availability, clarity and openness in their interactions with the IAOC, and timely provision of documents.

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