

WIPO Independent Advisory Oversight Committee

Twenty-Ninth Session
Geneva, May 20 to 24, 2013

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

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INTRODUCTION

1. The 29th session of the WIPO Independent Advisory Oversight Committee (hereinafter referred to as “the Committee” or “IAOC”) took place from May 20 to 24, 2013. Present were Messrs. Fernando Nikitin (Chair), Ms. Mary Ncube (Vice Chair), Messrs. Anol Chatterji, Kjell Larsson, Nikolay Lozinskiy, Ma Fang and Ms. Maria Beatriz Sanz Redrado.
2. The session opened with the members observing a minute’s silence to honor the memory of Mr. Gian Piero Roz, former IAOC member and Chair, who sadly passed away in May. The current members had come to know Mr. Roz in 2011 when he continued to serve on the Committee for one year to ensure continuity for the new membership. The Committee wishes to publicly recognize the great privilege that it was to serve with and to know Mr. Roz whose leadership, commitment and dedication still resonate.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

3. The Committee adopted its Agenda with modifications due to the substantial amount of work required for Agenda Item 8: IAOC Selection Process (see paragraphs 25 and 26 below), which took more time than the full working day originally allocated. The Agenda is attached to this report as Annex I and a list of documents is attached as Annex II.

AGENDA ITEM 2: MEETING WITH THE DIRECTOR GENERAL

4. The IAOC met with the Director General and discussed, *inter alia*: WIPO’s financial situation; the rapidly changing external global IP environment and long-term consequences for WIPO; human resources management; and the establishment of new external offices.

AGENDA ITEM 3: MEETING WITH THE DIRECTOR OF THE HUMAN RESOURCES MANAGEMENT DEPARTMENT

5. The IAOC met with the Director of the Human Resources Management Department (HRMD) to review, in particular, the status of implementation of recommendations contained in the internal audit report on human resources management and in the 2011 Annual Report of the Ombudsman.
6. The Director of HRMD said that the 2011 Annual Report of the Ombudsman had been widely welcomed and that the potential existed for greater use of informal conflict resolution mechanisms. She outlined progress made on implementing HR-related recommendations, notably on communications, people and conflict management, performance appraisal, staff motivation and entitlements and benefits. Initiatives noted by the IAOC included: management training and coaching; a pilot project to reward and recognize outstanding staff performance; streamlining of recruitment processes; and a re-vamping of the rules on classification and re-classification. The Committee noted the Director’s observation that the Performance Management and Staff Development system, now in place for four years, was increasingly being understood as the management tool that it is rather than as an instrument of compliance.

7. Other topics raised included staff mobility, absenteeism, HR service efficiency and geographical representation. Staff mobility was discussed within the context of WIPO's in-house skills gap, its low rates of attrition, and an annual rise in staff costs due to mandatory increases linked to cost of living and increments, that is outpacing WIPO's annual rate of increase in income. In this connection, the IAOC asked about staff training, including specialized programs for skills realignment. Concerning absenteeism, the Director flagged this as a priority that was currently being studied within a wider review of occupational health in general. As regards HR efficiency, a customer ticketing system would soon be introduced and the first HR module (Payroll) of the Enterprise Resource Planning (ERP) system was on track to go live on October 1, 2013. This led to a general discussion on efficiency gains following full implementation of ERP, including the potential cost savings for UN agencies joining together on a corporate basis. On the topic of geographical representation, the Director noted the contribution-based mechanism dating back to 1975. She advised that the Human Resources Strategy would be presented to the WIPO Coordination Committee later in the year.

8. As a follow up to an observation at its IAOC 28th session on the practices and procedures for managing "exceptions to personnel rules", the Director, HRMD stated that exceptions are followed and recorded but that no formal register exists *per se*. The IAOC considers that this is a matter for further follow up.

9. The IAOC also raised the issue of risks related to the commercial value of confidential information handled by staff, an issue previously raised as a matter of concern by the IAOC at its 21st session.

AGENDA ITEM 4: NEW CONSTRUCTION PROJECTS

10. The IAOC met with the Assistant Director General for Administration and Management and the Director of the Premises Infrastructure Division to review the New Conference Hall Project and the New Administrative Building ("New Construction Projects").

New Conference Hall Project

11. The Committee noted that the quarterly report substantially addressed the information requested by the IAOC at its last session, namely:

- (a) an expanded timetable showing a critical path leading up to the date at which the Hall is expected to become fully operational;
- (b) a progress report of actual versus planned completion of the physical acceptance of the components, complementing the actual expenses versus budgeting information provided; and,
- (c) an updated risk register reflecting the points above, and including emerging risks arising from re-delegation of all elements of the mandate of the former general contractor to the various WIPO professional contractors.

12. The Director briefed the IAOC on the Project, in line with the written quarterly progress report, the main points of which are summarized as follows:

- (a) The budget and provisions approved by Member States continue to be sufficient to absorb commitments. An uncommitted amount of 3.8 million Swiss francs remains available for miscellaneous and unforeseen matters.

- (b) As at April 30, 2013, about 40 contracts had been awarded for a total of 45 million Swiss francs (90%) of the construction cost, most of which were at 2010 or 2011 prices. The remaining contracts to be awarded represent some 4 to 5 million Swiss francs (less than 10%) of construction costs.
- (c) No new work-site modifications had been made since those reported on in March.
- (d) A delay had occurred in the construction of the wood structure due to inclement weather and assembly complexities. The impact of this delay on the overall timetable will be assessed at the end of May.

13. Following the briefing, the IAOC requested clarifications, including on the risks associated with re-delegation of all elements of the mandate of the former general contractor to the various WIPO professional contractors, and on the favorable cost variations between the original contract with the former general contractor and the corresponding contracts with the new individual contractors and suppliers for certain items. Concerning mandate re-delegation, the Director stated that addenda to all contracts concerned had now been finalized and were in the process of being signed for the additional roles for the New Conference Hall Project. As regards favorable cost variations, these were mainly due to rebates granted by certain contractors at the time of signature of their new contracts with WIPO, while those amounts could not have been reflected in the initial cost calculations provided by the former general contractor in its 2010 bid in response to the original tender.

New Administration Building

14. The IAOC was informed that completion of all items remained on track for the end of 2013, with the exception of replacement of certain windows on the ground floor, in the staircases and in the interior gardens which would continue until summer 2014. From a financial point of view, the situation was as previously reported in March, that is, all outstanding works continued to be covered through monies retained by WIPO from the balance owed to the general contractor.

Auditing of the New Construction Projects

15. The Director informed the Committee that, on April 22, the Secretariat had provided extensive observations on the draft "Audit Report on the WIPO Construction Projects" prepared by the Internal Audit and Oversight Division (IAOD), and that the Secretariat was currently waiting to receive the final report.

16. The Committee also noted that the Joint Inspection Unit (JIU) had launched a "Review of Good Practices in the Management of Contracts of Capital, Refurbishment, and Construction Projects across the UN System" as well as a "Management and Administration (MAR) Review at WIPO", which included a large portion on constructions projects. In addition, the External Auditor has informed the Secretariat that a compliance audit of the New Conference Hall Project will be carried out in March 2014.

17. The next review of the New Construction Projects will be in August, also as part of the IAOC's review of documentation for the PBC's 21st session (see paragraph 35 below).

18. On May 23, the IAOC participated in two traditional ceremonies and a dinner organized by the Secretariat to celebrate the milestone of the completion of the major structural works of the New Conference Hall Project.

AGENDA ITEM 5: INTERNAL AUDIT AND OVERSIGHT

19. The IAOC met with the Director of the Internal Audit and Oversight Division (IAOD) who briefed the Committee on the status of implementation of the Division's work plan. The Director informed the IAOC members that the Hotline was now operational and would be fully publicized within WIPO commencing in the month of June. On the draft report on the audit of the New Conference Hall Project, the Director confirmed that the Division's responses had been received and were being discussed. On the draft report on the audit of the conference and language services, the Director of IAOD informed the Committee that the final report would be issued once Management's comments were finally received and incorporated.

20. In depth discussions followed on the draft Investigation Policy and revised Investigation Procedure Manual, which are currently the subject of a second round of consultations. It is expected that following conclusion of the second round of consultations, the draft Policy and draft revised Manual will be shared with Member States in accordance with paragraph 13(b) of the Internal Oversight Charter.

AGENDA ITEM 6: ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS YEAR TO DECEMBER 31, 2012

21. The IAOC met with the Chief Financial Officer (Controller) and the Director of Finance Services, Department of Finance and Budget.

22. On March 28, the Committee received an unaudited version of the Financial Statements. On May 15, it received these Financial Statements marked with changes reflecting comments from the External Auditor. The Director of Finance Services briefed the Committee on the changes and answered a number of questions, including on the model used for recognition of PCT revenue.

23. The IAOC was not able to request direct comments or clarifications from the External Auditor at the current session but a meeting to discuss financial matters has been confirmed for the IAOC's next session in August.

AGENDA ITEM 7: PROGRESS REPORT ON THE PREPARATION OF THE 2014/15 DRAFT PROGRAM AND BUDGET

24. The IAOC received a presentation from the Assistant Director General for Administration and Management and the Director, Resource Planning, Program Management on the preparation of the P&B for 2014/15, in line with the "audit and budget" presentation to certain Member States in March 2012, also attended by two IAOC members, made in response to a request by those Member States to the Director of IAOD. As observed at its 28th session, the IAOC believes that this presentation could benefit all Member States.

AGENDA ITEM 8: IAOC SELECTION PROCESS

25. At its 27th session, the IAOC had taken note of the procedures set out in document WO/GA/39/13 for selection of new IAOC members to replace the three members whose mandates will expire on January 31, 2014. As part of that process, the PBC had, at its 19th session, established a Member State Selection Panel with the mandate, *inter alia*, to develop an Evaluation Matrix and to forward to the IAOC candidate applications considered by the Panel as eligible for a ranking-based assessment by the Committee.

26. At the present session, a substantial amount of time was required to fulfill this task. The IAOC performed a ranking-based assessment of forty-four applications received from the Panel. To this end, two hundred and sixty four evaluation forms (six times forty-four) were completed by IAOC members collectively. The individual scores were averaged and entered into a consolidated assessment results table, which was formally transmitted to the Selection Panel on May 27 via the Secretary of the Panel. The IAOC looks forward to the Panel recommendations at the PBC's 21st session in September.

AGENDA ITEM 9: INFORMATION SESSION FOR MEMBER STATES

27. An Information Session for Member States was held. It was attended by representatives of 12 Member States. The IAOC briefed the representatives on matters contained in this report, following which questions were raised *inter alia* on: the status of the draft Program and Budget 2014/2015 (subsequently published on May 27); the current financial situation and long-term financial liabilities; WIPO's Human Resources Strategy and human resources management in general; the status of and the involvement of the IAOC in the JIU's "Review of Management and Administration (MAR) at WIPO"; the draft Investigation Policy and draft revised Investigation Manual; potential cost savings identified in IAOC's audit report on Travel and Mission support; and, the setting up of external offices. A JIU report "Staff recruitment in the United Nations System Organizations: A Comparative Analysis and Benchmarking Framework" was also matter of comment. Appreciation was expressed for the IAOC's input into the selection process for three new members of the Committee.

28. On the financial situation, the IAOC advised of no significant change in the operating expenditure for 2012 compared to 2011 with the exception that in 2012 a surplus of income over expenditure of CHF15.710m as registered compared to a deficit of CHF3.209m in 2011. There was no significant change in the value of long-term liabilities. The accumulated surplus in the Reserves at the end of 2012 was 154.851 million Swiss francs (up from 139.141 million Swiss francs at the end of 2011) and the Working Capital in 2012 remains at the same level at 8.342 million Swiss francs.

29. Concerning IAOC's travel audit, the IAOC said that it would follow up on this topic closely, including within the context of the potential for closer alignment of WIPO's travel policy with that of the UN and policy application across the board.

30. The Committee will also follow up on issues raised by Member States on the setting up of external offices.

31. As for the draft Investigation Policy and draft revised Investigation Procedures Manual, the IAOC stated that the work already done was in line with best practice and international standards.

32. Regarding the JIU's "Review of Management and Administration at WIPO", the IAOC informed the Member States that it had met with the Review team in March, to share its experiences and views, and that a follow-up meeting was planned for August.

AGENDA ITEM 10: OTHER MATTERS

33. The next session is scheduled to take place from Monday, August 26 to Friday, August 30, 2013.

34. At its 27th session, the IAOC decided that its August session would focus to the extent possible on PBC documentation and that the quarterly report would be structured to facilitate review by Member States of the IAOC's observations at the PBC as and when the PBC agenda items are discussed.

35. To this end, the draft Agenda for the IAOC's next session is as follows:

- (a) Meeting with the Director General
- (b) Meeting with the External Auditor
- (c) Review of documentation for the 21st session of the PBC:
 - Draft Program and Budget 2014/15
 - Program Performance Report for 2012
 - Utilization of the Reserves
 - After-Service Health Insurance (ASHI)
 - Cost-efficiency Savings
 - New Construction Projects
 - Internal Oversight
 - Human Resources Annual Report
- (d) Follow-up meeting with the Joint Inspection Unit
- (e) Assessment of the Work of the IAOC from 2011 to 2013
- (f) Information Session for Member States
- (g) Other Matters

[Annex I follows]



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AGENDA

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1. Adoption of the Agenda
2. Meeting with the Director General
3. Meeting with the Director of the Human Resources Management Department
4. New Construction Projects
5. Internal Audit and Oversight
6. WIPO Financial Statements (1st reading)
7. Progress report on the preparation of the 2014/15 draft Program and Budget
8. IAOC Selection Process
9. Information Session for Member States
10. Other Matters

[Annex II follows]

LIST OF DOCUMENTS

AGENDA ITEM 1: ADOPTION OF THE AGENDA

WO/IAOC/29/1 Prov. Draft Agenda

AGENDA ITEM 3: MEETING WITH THE DIRECTOR OF THE HUMAN RESOURCES MANAGEMENT DEPARTMENT

Internal Audit Report IA.06.2011 “Review of Human Resources Management”

2011 Annual Report of the Office of the Ombudsman

AGENDA ITEM 4: NEW CONSTRUCTION PROJECTS

Quarterly Progress Report on the New Conference Hall Project and the New Construction Project

Powerpoint presentation to Member States (March 2013 briefing)

Powerpoint presentation to Member States (April 2013 briefing)

AGENDA ITEM 5: INTERNAL AUDIT AND OVERSIGHT

2013 Oversight Plan - Status of Work – May 2013

GAIN Annual 2013 Benchmarking Study and transmittal memorandum to the Director General, dated May 14, 2013

Draft Investigation Policy

Draft Revised Investigation Procedure Manual

Overview of pending cases in Investigation Section, May 2013

AGENDA ITEM 6: ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS YEAR TO DECEMBER 31, 2013

Annual Financial Report and Financial Statements Year to December 31, 2012.
(versions dated March 28 (unaudited) and May 15 (incorporating changes made during the external audit))

AGENDA ITEM 7: PROGRESS REPORT ON PREPARATION OF THE DRAFT PROGRAM
AND BUDGET 2014/15

Powerpoint presentation “Biennial Planning at WIPO – Applying a Results-based Approach”

AGENDA ITEM 8: IAOC SELECTION PROCESS

Evaluation Matrix

Candidate Applications forwarded to IAOC by the IAOC Selection Panel for detailed
assessment

[End of Annex II and of document]