

## **WIPO Independent Advisory Oversight Committee**

**Forty-Ninth Session**  
**Geneva, July 2 to 5, 2018**

REPORT

*adopted by the WIPO Independent Advisory Oversight Committee*

## **INTRODUCTION**

1. The 49<sup>th</sup> session of the WIPO Independent Advisory Oversight Committee (IAOC) took place from July 2 to 5, 2018. Present were Misses Tatiana Vasileva and Maria Vicien-Milburn, Messrs. Gabor Amon, Mukesh Arya, Egbert Kaltenbach and Othman Sharif. Mr. Zhang Long sent apologies for his absence.

### **AGENDA ITEM 1: ADOPTION OF THE AGENDA**

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2. The Committee adopted its Agenda, which is attached to this report as Annex I. A list of session documents is attached as Annex II.

### **AGENDA ITEM 2: MATTERS ARISING FROM PREVIOUS SESSION**

3. The IAOC took stock of the actions carried out following the decisions taken at its 48<sup>th</sup> session.

### **AGENDA ITEM 3: MEETING WITH THE DIRECTOR GENERAL**

4. The Director General briefed the Committee on developments in the field of Intellectual Property and on major WIPO projects and initiatives.

### **AGENDA ITEM 4: INTERNAL OVERSIGHT**

5. The Committee discussed with the Director, IOD, the IOD Activity Report and was satisfied with the progress made in implementing the IOD 2018 workplan.

6. The Committee noted that the position of Head, Internal Audit was still vacant, but was assured that an appointment decision would be made shortly. The recruitment processes for the positions of Senior Investigator and of Evaluation Officer were still ongoing.

7. The Committee reviewed and provided comments on the draft Annual Report of the Director, IOD which were fully taken into account.

8. The Committee met in a private session with the Director, IOD.

#### *Internal Audit*

9. The Committee reviewed, together with the Director, IOD and Management, two audit reports: Audit of the Language Division, issued on June 18, 2018, and Audit of Travel Management, issued on June 26, 2018. Both reports are envisaged to be published on WIPO's website.

10. The Committee drew attention to the importance of cost-benefit considerations when making oversight recommendations.

#### *Investigations*

11. The Committee was briefed on the status of investigation cases. As of June 30, 2018, there were 12 pending investigation cases, including four cases under preliminary evaluation and six cases under full investigation; two cases were on hold, due to the unavailability of the staff member to attend an interview or pending action from another entity. Of the 12 pending cases, one was registered in 2016, six were registered in 2017 and five in 2018.

12. Since the last session of the Committee, 12 cases have been closed; in one of these cases, the allegations of misconduct were substantiated.

13. The Committee discussed a number of cases with the Director, IOD and provided advice.

#### **AGENDA ITEM 5: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS**

14. The Committee was informed that as of June 30, 2018, there was a total of 180 open oversight recommendations, 49 of which were issued in 2018. 50 open recommendations were past their targeted implementation dates, however some of these remain open only because they are awaiting review and closure by the External Auditor.

15. The Committee is aware that in some cases, the implementation depends on major software initiatives and recommendations regarding policies are usually complex and may take longer to implement.

#### **AGENDA ITEM 6: FINANCIAL REPORT AND FINANCIAL STATEMENTS 2017**

16. The Committee reviewed and discussed with the Director, Finance Division, the Annual Financial Report and Financial Statements for the year 2017. The Committee was satisfied with the explanations provided and considered the format and content of the financial report to be very informative and user-friendly.

17. The Committee noted that the implementation of IPSAS 39 "Employee benefits" resulted in the restatement of WIPO's 2016 net assets from 311 million to 149 million Swiss francs. IPSAS 39 had been implemented one year earlier than required by the standard and WIPO's financial statements remain fully aligned with IPSAS.

#### **AGENDA ITEM 7: REPORT OF THE EXTERNAL AUDITOR, CAGI**

18. The Director, Finance Division, briefed the Committee on the tentative audit findings and recommendations of the External Auditor. The Committee noted with satisfaction that the matters raised by the auditor during the financial audit which concerned disclosures within the financial statements had already been fully addressed.

19. As the report of the External Auditor was not yet available, the Committee will review it after the session and will provide comments for consideration by the Program and Budget Committee (PBC), as required.

#### **AGENDA ITEM 8: MEETING WITH THE EXTERNAL AUDITOR, NAO**

20. The Committee discussed with the new External Auditor, National Audit Office (NAO), United Kingdom, their engagement activities and provided input into their audit strategy and audit planning, as required by the relevant International Standards on Auditing. The Committee also discussed with the External Auditor the proposed amendments to its Terms of Reference with regard to External Audit.

21. The Committee met in a private session with the External Auditor.

#### **AGENDA ITEM 9: UPDATE ON HUMAN RESOURCES MANAGEMENT**

22. The Committee met with the Director, Human Resources Management Department (HRMD), who briefed the Committee on ongoing projects and initiatives, and on a number of UN system issues with implications on WIPO's HR management.

23. The Committee shares the concerns about the impact of the pay cut litigation, with some 300 appeal cases pending, on WIPO's internal justice system.

#### **AGENDA ITEM 10: RISK MANAGEMENT AND INTERNAL CONTROLS**

24. The Committee discussed with Management their approach to risk management and internal control and reviewed the WIPO Risk Management Policy, issued on December 15, 2017 (Office Instruction N° 41/2017), the Annual Risk Reports for 2016 and 2017 and the Director General's Statement on Internal Control for 2017.

25. The Committee appreciates the significant progress made in implementing the risk management road-map and in establishing a formalized risk management system.

26. As WIPO's Risk Management Policy is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework (not COSO Enterprise Risk Management (ERM) however), the Committee brought to the attention of Management that COSO ERM Framework has been updated in December 2017 and suggested to review its potential implications on the policy.

27. At its forthcoming session, the Committee intends to review the risk register and Management's response plans for the mitigation of certain strategic risks.

28. The Committee noted with appreciation the progress made in identifying and assessing entity level controls and process level controls, and was informed that the exercise would be completed by the end of 2018.

29. The Committee was informed of the activities taken and planned under the Anti-Fraud Roadmap and welcomed in particular the fraud risk assessment to be conducted in the near future with the support of an external expert.

#### **AGENDA ITEM 11: BRIEFING ON PATENTS AND TECHNOLOGY SECTOR**

30. The Deputy Director General, Patents and Technology Sector and his team of senior managers provided a briefing on the functions and major activities of the Sector, which helped the Committee to better understand the business context for its oversight responsibilities.

31. The Committee was impressed by the increase achieved both in productivity and quality, which allowed keeping the Patent Cooperation Treaty (PCT) fees stable for the last 14 years.

#### **AGENDA ITEM 12: PROPOSED AMENDMENTS TO THE TERMS OF REFERENCE OF THE IAOC**

32. Subsequent to its 48<sup>th</sup> session, the Committee had consulted Member States and the Secretariat on its proposed amendments to the IAOC Terms of Reference. The Committee received comments from Member States, which were reviewed and taken into account in the final proposal being submitted to the PBC.

33. The Committee also received extensive comments from the Secretariat and discussed them with the Legal Counsel. The Committee has made additional changes to address many of those comments and to provide clarification as needed.

34. As some of the proposed amendments to the Terms of Reference will have an impact on the Internal Oversight Charter, the Committee considered it advisable to submit proposed amendments to both documents for simultaneous consideration by the PBC at the upcoming session. In the past, the periodic review of these documents took place in different years,

resulting in both documents never being fully aligned. The Committee will seek Member States' views as to whether they would prefer to conduct the review of the Committee's Terms of Reference and the Charter simultaneously.

### **AGENDA ITEM 13: IAOC ANNUAL REPORT 2017**

35. The IAOC prepared and adopted its annual report to the Program and Budget Committee (PBC 28<sup>th</sup> session) which provides an overview of its activities during the period July 7, 2017 to July 5, 2018.

### **AGENDA ITEM 14: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES**

36. As provided in its Terms of Reference, an information meeting was held with Member States. The Committee briefed representatives of Member States on deliberations during the present session and responded to questions posed by the attending delegates.

### **AGENDA ITEM 15: OTHER MATTERS**

#### *WIPO Investment Reports*

37. Management submitted to the Committee the Investment Performance Reports and the Investment Monitoring Reports for March, April and May 2018, prepared by the investment advisors and the Custodian, respectively.

38. As requested by Member States, the Committee reviewed these documents. The Committee noted that the information provided shows that during the period reviewed, and based on the investment market benchmark, all the vehicles in WIPO's investment portfolio delivered the expected results and were managed in accordance with the stated strategy.

39. The Committee also noted that the Custodian did not report any breaches, active or passive, nor justified exceptions.

#### *Ethics*

40. Subsequent to its 48<sup>th</sup> session, the Committee received the draft revised Office Instruction on WIPO Ethics Office. The Committee reviewed the document and provided its comments to the Secretariat on May 8, 2018. As of the 49<sup>th</sup> session, the Committee has not yet received feedback on its comments and suggestions, and has not been informed on the status of the matter.

#### *Next Session*

41. The IAOC's next session will take place from Monday, October 15 to Friday, October 19, 2018. The draft Agenda for that session is as follows:

- (1) Adoption of the Agenda
- (2) Conflict of Interest Declaration
- (3) Matters arising from previous Session
- (4) Matters arising from Program and Budget Committee, WIPO General Assembly, and WIPO Coordination Committee Sessions
- (5) Meeting with the Director General
- (6) Internal Oversight

- (7) Follow-up on Oversight Recommendations
- (8) Follow-up on Joint Inspection Unit (JIU) Recommendations
- (9) Risk Management
- (10) Safety and Information Assurance
- (11) Briefing on Global Issues Sector
- (12) Ethics
- (13) Ombudsperson
- (14) Meeting with the External Auditor
- (15) Information Meeting with Member States' Representatives
- (16) Other Matters

[Annexes follow]



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**WO/IAOC/49/1**  
**ORIGINAL: ENGLISH**  
**DATE: JULY 17, 2018**

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### AGENDA

*adopted by the WIPO Independent Advisory Oversight Committee*

1. Adoption of the Agenda
2. Matters arising from previous sessions
3. Meeting with the Director General
4. Internal Oversight
5. Follow-up on Oversight Recommendations
6. Financial Report and Financial Statements 2017
7. Report of the External Auditor, CAGI
8. Meeting with the External Auditor, NAO
9. Update on Human Resources Management
10. Risk Management and Internal Controls
11. Briefing on Patents and Technology Sector
12. Proposed Amendments to the Terms of Reference of the IAOC
13. IAOC Annual Report 2017
14. Information Meeting with Member States' Representatives
15. Other Matters

[Annex II follows]



**WO/IAOC/49/INF/1**  
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### LIST OF DOCUMENTS

**ITEM 1: ADOPTION OF THE AGENDA**

- [01] Agenda
- [02] Timetable
- [03] List of Documents
- [04] IAOC Rolling Agenda, 44<sup>th</sup> to 51<sup>st</sup> sessions

**ITEM 2: MATTERS ARISING FROM PREVIOUS SESSIONS**

- [05] IAOC Action List

**ITEM 3: MEETING WITH THE DIRECTOR GENERAL**

*No document:* Oral account.

**ITEM 4: INTERNAL OVERSIGHT**

- [06] IOD Activity Report – June 18, 2018 (Reference: IOD-IAOC-2018/02)
- [07] “Draft Annual Report by the Director, IOD” – July 23, 2018  
(Reference: WO/PBC/28/5)
- [08] IOD Audit Report: Audit of the Language Division, June 18, 2018  
(Reference: IA 2018-02)
- [09] IOD Audit Report: Audit of Travel Management, June 26, 2018  
(Reference: IA 2018-01)

**ITEM 5: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS**

- [10] Open Oversight Recommendations, as at June 18, 2018
- [10bis] Open Oversight Recommendations, as at June 18, 2018 - *corrigendum*

**ITEM 6: FINANCIAL REPORT AND FINANCIAL STATEMENTS 2017**

- [11] Annual Financial Report and Financial Statement, as at December 31, 2017



[12] Financial Statements and Audit Recommendations, July 3, 2018

**ITEM 7: REPORT OF THE EXTERNAL AUDITOR, CAGI**

[xx] *Report of the External Auditor, for financial year ended December 31, 2017  
(not available at the time of session)*

**ITEM 8: MEETING WITH THE EXTERNAL AUDITOR, NAO**

[13] “External Audit engaging with those charged with governance”, July 2018

**ITEM 9: UPDATE ON HUMAN RESOURCES MANAGEMENT**

[14] “Update on HR Management”, July 2, 2018

**ITEM 10: RISK MANAGEMENT AND INTERNAL CONTROLS**

[15] WIPO Annual Risk Management Report, January to December 2016

[16] WIPO Annual Risk Report – January to December 2017, March 13, 2018

[17] Risk Management and Internal Control at WIPO (presentation, June 2018)

[18] Risk and Internal Control Manual, (updated November 2017)

[19] Statement on Internal Control for 2017

[20] Office Instruction N° 41/2017 – *WIPO Risk Management Policy*,  
December 15, 2017

[21] Draft Anti-Fraud Roadmap – June 2018

**ITEM 11: BRIEFING ON PATENTS AND TECHNOLOGY SECTOR**

[22] PCT Legal and International Affairs Department Overview (July 2, 2018)

[23] IAOC Briefing on Patents and Technology Sector – The Patent Law Division,  
July 2, 2018

[24] Introduction to the PCT Legal Services Department – July 2, 2018

[25] WIPO Arbitration and Mediation Center (June 2018)

**ITEM 12: PROPOSED AMENDMENTS TO THE TERMS OF REFERENCE OF THE IAOC**

[26] Draft “Proposed Amendments to the Terms of Reference of the IAOC”  
(Reference: WO/PBC/28/3)

[27] Comments from United States

[28] Comments from Australia

[29] Comments from CACEEC

[30] Comments from the WIPO Secretariat

[31] WIPO Financial Regulations and Rules, Annex III – Terms of Reference of the  
WIPO Independent Advisory Oversight Committee  
(last amended on October 14, 2015)

[32] IAOC Rules of Procedure, document WO/AC/35/2, Annex IV –  
December 1, 2014

**ITEM 13: IAOC ANNUAL REPORT 2017**

[33] “Draft Report by the WIPO Independent Advisory Oversight Committee (IAOC)”  
(WO/PBC/28/2)

**ITEM 14: INFORMATION MEETING WITH MEMBER STATES’ REPRESENTATIVES**

No document: Oral account.

**ITEM 15: OTHER MATTERS**

[34] Report – Forty-Eighth Session (WO/IAOC/48/2)

**Investment Reports:**

[35] Credit Suisse – Investment Monitoring Reports, for March, April and May 2018

[36] MBS Capital Advice – Investment Performance Reports for March, April and May 2018

[End of Annex II and of document]