

Assemblies of the Member States of WIPO

Sixty-Third Series of Meetings Geneva, July 14 to 22, 2022

REPORT BY THE EXTERNAL AUDITOR

prepared by the Secretariat

1. The present document contains the “Report by the External Auditor” (document WO/PBC/34/4), submitted to the WIPO Program and Budget Committee (PBC) at its thirty-fourth session (June 27 to July 1, 2022).
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/63/7).

[Document WO/PBC/34/4 follows]

Program and Budget Committee

Thirty-Fourth Session
Geneva, June 27 to July 1, 2022

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, 2021; and
 - (ii) Report of the External Auditor for the financial year 2021 to the 63rd 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 2021. This report also contains Management's responses to the External Auditor's recommendations.
 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/34/4).*
- [Report by the External Auditor follows]

INDEPENDENT AUDITOR'S REPORT TO THE GENERAL ASSEMBLY OF 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 2021, which comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flow, statement of comparison - budget and actual amounts revenue for 2021, statement of comparison - budget and actual amounts expenses 2021, statement of comparison - budget and actual amounts revenue for 2020/21, statement of comparison - budget and actual amounts expenses for 2020/21, 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 2021 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 opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the 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 Organisation in accordance with the ethical requirements that are relevant to my audit of the financial statements in the United Kingdom, namely the Financial Reporting Council's Ethical Standards 2019 as applicable to listed entities. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the Statement on Internal Control 2021. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, 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, 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 and Those Charged with Governance 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 the 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.

Those charged with governance are responsible for overseeing the World Intellectual Property Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibilities 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 a certificate 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 also:

- identify and assess 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;
- obtain an understanding of internal control relevant to the audit in order 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of the World Intellectual Property Organization'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 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 report. However, future events or conditions may cause the World Intellectual Property Organization to cease to continue as a going concern; and
- 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 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: 19 May 2022

MAY 2022

World Intellectual Property Organization

**External Auditor's Report on the 2021 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 and a tailored review of WIPO's governance, in light of proposed changes to Financial Regulations and the development of a new risk appetite statement. In our performance reporting, we have reviewed the approach to the modelling of expected filings and revenues from WIPO's Intellectual Property (IP) activities, which inform the overall approach to the expenditure budget of the Organization. We have undertaken a more detailed review of the developments within Human Resources, in response to our work in 2018. 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 2021 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. The financial statements remain of high quality, supported by sound systems of internal controls and reporting.

6 With the partial relaxation of COVID-19 pandemic restrictions, it was possible to complete aspects of the audit on site. The remaining restrictions still created additional staffing pressures, requiring additional effort by both the Finance Division and the NAO team. Despite this, the attainment of an unqualified audit opinion to an earlier governing body timetable represents a significant achievement by both teams.

Financial management

Financial performance

7 WIPO delivered a further strong financial performance in 2021, achieving a retained surplus of CHF 108.9 million (2020: CHF 135.9 million), representing some 22.9 per cent of revenue earned. Together with other movements within the financial statements, net assets increased to CHF 408.5 million (2020: CHF 387.1 million). Revenues increased by CHF 6.8 million to CHF 475.1 million. During the same period, expenditures increased by CHF 23.1 million (6.3 per cent) to CHF 388.9 million predominantly due to changes in the long-term employee benefits. While the expenses increased, they remained lower than the pre-pandemic 2019 expenditure of CHF 401.4 million. The overall results for the year were further improved by net investment gains of CHF 22.7 million (2020: CHF 33.4 million).

8 WIPO reported an actuarial loss of CHF 87.5 million (2020 loss: CHF 114.9 million) due to further increases in the valuation of the Organization's employee benefit liabilities, resulting primarily from changes in the assumptions for health care costs. Employee benefits continue to represent the greatest area of risk to WIPO's financial health. WIPO has increased the amount set aside to mitigate the financial risks arising from these liabilities by CHF 26.0 million.

9 Both the initial fee estimates for revenue of CHF 448.8 million and the budget for expenditure of CHF 387.3 million were increased to CHF 473.2 million (5.4 per cent) and CHF 415.5 million (7.3 per cent) respectively during the year. WIPO recognised revenue and expenditure on the budget basis of CHF 469.1 million and CHF 348.1 million respectively.

10 With continued trends in the pipeline of applications remaining strong, a healthy reserve position and relatively high levels of cash and other current investments, we concluded that management's assertion in respect of going concern of WIPO remained appropriate. The Organization is well placed to respond to the continued global economic uncertainty. The financial performance and position for each Union demonstrate how reliant the Organization is on the PCT and Madrid Unions which, especially the PCT, compensate for the deficits reported by the Hague and Lisbon Unions.

11 The 2021 Financial Statements recognise a significant increase in the employee benefit liabilities, continuing the trends of previous years. These comprise primarily the staff members' after-service health insurance, their repatriation entitlements and accumulated leave liabilities. During 2021, the overall liability for these staff benefits has increased to CHF 615.8 million (2020: CHF 495.3 million). Assuming current assumptions remain consistent, WIPO forecasts that the liability for the after-service health insurance alone is projected to increase to CHF 715.5 million by 31 December 2025. As previously reported, these benefits will consume a growing proportion of WIPO's future revenues. Given the importance of these liabilities to WIPO our report gives details of our assessment of the estimates used by management.

12 WIPO's annual financial report provides a detailed financial commentary to accompany its financial statements. It is important for all organisations to challenge how they use the accompanying financial commentary on a regular basis, obtaining

feedback from the users of the statements. There is merit in considering the scope for greater alignment between WIPO's financial and performance reporting.

Governance and internal control

13 Our audit has continued to conclude that WIPO has sound systems of internal control and no significant weaknesses have come to our attention during the audit process, despite the continued challenges of the pandemic. The Organization has always been proactive in its approach to internal control, and we have noted the proposals to amend the Financial Regulations, the evolving nature of compliance, the development of a revised risk appetite statement and pending changes within the Internal Oversight Division (IOD).

14 We have provided detailed observations on an early draft of the proposed changes to the Financial Regulations, to modernise and streamline them, reflecting current practices and the organisational structure. The proposals also address important gaps within the existing Regulations, in areas such as partnership working and the management of liabilities. Our overall conclusion is that the revised structure provides a more coherent framework. We highlight the benefits of a post implementation review to allow for the adaptation of any Regulations which need further refinement following their initial implementation.

15 WIPO has a well-developed approach to reviewing compliance with its identified controls. We have reviewed the detailed processes undertaken and made observations to help further mature the approach. We have highlighted the need to focus more on the key controls. Greater assurance over the significant key controls will create efficiencies, to inform management on their quality and effectiveness on the most material elements of the system of internal control. It remains important for WIPO to ensure the completeness of the assessment; we have noted that over the last few years new areas have been added to this review. Mindful of our observations, we continue to see WIPO as having one of the better approaches to compliance within the UN system.

16 Since the start of our mandate in 2018, we have supported WIPO's ambition to adopt data analytics to provide a greater breadth of assurance over the operation of the control environment. Such analytics provide cost effective and systematic tools to provide feedback on the operation of controls, to inform management on areas of risk and the scope for improvement. There have been delays in implementing the approach arising from how data is stored, but we strongly encourage management to move forward in the delivery of at least some analytics to inform the way in which the Organization may deploy its wider approach. We have also noted that IOD and Human Resources Management Department (HRMD) have developed their own range of tools for analytics, mindful of their usefulness in audit and HR management activities. It is important that WIPO's investment here is approached in a holistic manner, avoiding duplication of effort, and ensuring expertise can be developed and shared across common platforms.

17 On risk management we have noted the positive development of a clear and concise Risk Appetite Statement in consultation with Member States, focused on the Expected Results of the Organization. In our view, the articulation of the risk tolerance and appetite provides a platform against which WIPO can focus its resources, assess the effectiveness of mitigation actions and demonstrate its management of risks. The Statement is amongst the clearest we have seen, and we will consider how WIPO is

using this to inform and determine its approach to risk in future audits.

18 We have noted the work and operation of the Risk Management Group (RMG), chaired by the Director General. It considers the most significant risks facing the Organization, and how these are being managed. There is scope to review how the RMG obtains assurance over Sector level risks and on the level of challenge on these and their associated mitigations. In line with best practice WIPO has provided the RMG with an annual risk management report, providing an honest appraisal of its progress in embedding risk management. Progress has been made and WIPO remains on track to move from being “Established” (Level 3) to a rating of being “Advanced” (Level 4) against the High-Level Committee on Management Maturity Model rating.

19 A key source of independent and objective assurance to support the Director General is the work of the Internal Oversight Division (IOD). We have reflected on the inevitable changes which will arise from the term limit of the current Director of the IOD. As the Organization evolves to become more data driven and refines its approach to controls, it will be important to ensure that both the mandate and shape of the IOD’s activities is considered, alongside the skills and capabilities needed. We have highlighted that the move towards an annual audit opinion will further increase the importance of the risk-based work programme, to ensure it is focused on the areas of greatest importance and materiality.

20 We have reviewed the Statement on Internal Control and confirm that it is consistent with our understanding of WIPO’s control environment. We continue to see WIPO presenting its Member States with a logical, concise, and coherent articulation of how the Director General operates an effective system of internal control. The Statement reflects an appropriate balance of assurance in key risk and control areas, together with a prospective approach to demonstrate commitment to improvement in future periods. Overall, the Statement provides clear, reliable and positive assurance for Member States.

Forecasting filing activity

21 In our 2020 audit report, we observed that WIPO regularly exceeded its fee revenue target and consistently underspent against its expenses budget, leading to surpluses higher than those originally anticipated. We therefore decided to review the basis for the modelling of revenues as a key element of the assumptions under-pinning the budget. The models were designed in-house to provide information on expected future filing volumes and corresponding fees from the WIPO Global IP Systems. The levels of filing activity are a key driver for certain variable cost elements of WIPO programme budget expenditure.

22 We applied a survey-based review to assess the model, which included consideration of: governance and assurance; concept and design; build and development; data and assumptions; and use of the outputs. Our analysis of the results, and our wider considerations, confirm that the model achieves its purpose of providing a reasonable basis for planning and budgeting. While further enhancements could be made to areas such as model governance, these are unlikely to have any real cost-benefits. Over time, the model has demonstrated its reliability.

23 Overall, our review highlights WIPO’s prudence in its financial planning which minimises the risk to Member States but does increase the potential for consistently

exceeding forecast surplus. We continue to urge Member States to take a strategic approach to how these surplus funds are best utilised by the Organization.

Human resource management

24 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. We deferred our review of progress pending the adoption of the new HR Strategy in October 2021, which has refocused WIPO's approach to HR issues and led to significant structural and strategic changes. Overall, we are pleased to report positive progress in all the areas we previously reported.

25 HRMD has been restructured around the delivery of seven organisational objectives, alongside being a contributor to several Expected Results. The restructure provides greater emphasis on priority areas and supports a better framework for HRMD to progress from a transactional to a more strategic function in the way it supports the Organization and its staff. This will be underpinned by enhanced performance reporting and compliance activities, creating better information for decision making and efficiency.

26 The new HRMD strategy has placed considerable focus on issues of diversity and talent management, addressing areas we identified as needing attention. The plans established in these areas should help deliver a better skilled workforce matching the needs of WIPO with the aspirations of staff. This underpinned by a greater emphasis on the effectiveness of training and its contribution to staff and the Organization. Specific attention is being given to strengthening training and skills in leadership and management. These changes will support improved workforce planning and delivery of a more agile workforce to meet future needs.

27 HRMD has strengthened its arrangements and approach to the management of staff absences, improving compliance monitoring and establishing parameters for actions and interventions when staff are absent. This is complemented by improved support for both the returning employee and their managers to ensure the return to work can be facilitated to meet the needs of both. These arrangements should deliver benefits in reducing overall WIPO absence levels and providing enhanced support for a successful return for individuals. Over time, further refinement can be made to these processes by reviewing the timescales for intervention and by benchmarking levels of absence with other entities.

28 Finally, the overall culture of the Organization is being approached through improved staff engagement. Underpinning this is the use of new tools and communications with staff. Surveys will now be used to frequently track employee experience and provide information to monitor the impact of changes and the effectiveness of the new strategy. It will be important for management to monitor the levels of response; experience shows that where actions are not taken this can impact on engagement participation and scores and may put the achievement of the new strategies at risk.

29 While it is too early to assess the impact of the changes, sound frameworks have been established to position the Organization to address the key areas we identified in our 2018 report. We are content that the recommendations we made have been addressed through the actions taken in formulating the new strategy. Given these are

new initiatives, time will tell what impact they will have on the Organization and its performance.

Previous recommendations

30 As of May 2022, of the 23 recommendations from 2020 and previous years that remained open, we closed 14 having either been implemented or overtaken by events. Nine recommendations remain in progress, these mostly relate to the recommendations made last year.

PART ONE

FINANCIAL MANAGEMENT

Overall audit results

1.1 The External Auditor has audited WIPO's financial statements for the year ended 31 December 2021 which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flow, Statement of Changes in Net Assets, Statement 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 2021 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 With the partial relaxation of pandemic restrictions during the period, it was possible to complete aspects of the audit on site. The remaining restrictions still created staffing pressures, requiring additional effort by both the Finance Division and the NAO teams. Despite this, the attainment of an unqualified audit opinion to an earlier governing body timetable, despite the impact of working through continued restrictions represents a significant achievement by both teams. The audit progressed successfully, enabling the audit to be completed in time to meet the earlier governing body timetable. We look forward to regaining the efficiency of more on-site working during the next audit cycle.

Financial performance

1.3 In 2021 WIPO reported an overall surplus for the year of CHF 108.9 million (2020: CHF 135.9 million) which, together with actuarial losses on WIPO's post-employment liabilities of CHF 87.5 million, increased net assets to CHF 408.5 million at December 2021 (2020: CHF 387.1 million). This surplus represents some 22.9 per cent of revenues earned (2020: 29.0 per cent). Revenue in 2021 of CHF 475.1 million (2020: CHF 468.3 million) represents an increase of 1.5 per cent from the previous year. Despite the ongoing uncertainty following the pandemic and other global events, applications received by the Organization's primary unions have remained strong, although the rate of revenue increase on the previous years has slowed, WIPO achieved revenues of CHF 450.5 million in 2021 (2020: CHF 441.4 million). WIPO also benefitted from the performance of its investment portfolio in 2021 reporting overall unrealised investment gains for the year of CHF 22.7 million (2020: gains of CHF 33.4 million).

1.4 WIPO incurred expenditures of CHF 388.9 million, an increase of CHF 23.1 million (6.3 per cent) on 2020 (CHF 365.8 million). As discussed in the accompanying Financial Report, while expenses have increased in 2021 they remain lower than pre-pandemic levels with restrictions over movement and mass gatherings continuing to impact travel for missions and participation in conferences and meetings. We recommended in 2020, that WIPO review its ways of working and identify lessons from the pandemic working practices to minimise unnecessary travel. In response, WIPO has integrated virtual and hybrid ways of working for meetings and technical assistance activities. WIPO informed us that this has been baselined into the Program of Work and Budget for 2022-23, with a decrease in the travel budget of 21 per cent compared to the 2020-21 budget.

Financial position

1.5 The overall surplus has contributed to gross assets increasing by 13.4 per cent to CHF 1,577.3 million as at 31 December 2021 (2020: CHF 1,390.9 million). This is primarily due to the net increases in the value of the Organization's investments of CHF 178.5 million.

1.6 During 2020, gross liabilities increased by 16.4 per cent to CHF 1,168.8 million (2020: CHF 1,003.8 million). This is primarily due to the increase in the Organization's employee benefits to CHF 615.8 million as at 31 December 2021 (2020: CHF 495.3 million). This increase is predominantly due to changes in assumptions underpinning the post-employment liabilities which are further explained later in this report. The significant impact on WIPO's financial health of the changes in the ASHI liability have been mitigated by continuing significant surpluses contributing to the growth in investment assets. The combined effect of changes in assets and liabilities was to increase net assets to CHF 408.5 million as at December 2021 (2020: CHF 387.1 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 0.54 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 significant pipeline of future work evidenced by the high value of advance receipts (CHF 339.2 million). While unlikely, should the need arise, WIPO could liquidate its longer-term investments for cash-flow purposes.

Figure 1: WIPO Key financial ratios 2018-2021

Ratio	2021	2020	2019	2018
Total assets: Total liabilities	1.35	1.39	1.42	1.32
Assets: Liabilities				
Current ratio				
Current assets: Current liabilities	0.54	0.63	0.56	0.60
Cash ratio				
Cash and cash equivalents: Current liabilities	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 Overall, WIPO continues to maintain a sound financial situation. The Organization has healthy reserves which are significantly backed by cash and investments. It has earmarked funds (Strategic Cash and Investments) of some CHF 237.2 million (2020: CHF 211.2 million) for its accumulated employee benefit liabilities, most notably to provide after-service health insurance to former staff members which currently total CHF 573.7 million. We have further explored the Organization's post-employment benefits later in the report. By funding a proportion of these liabilities, WIPO minimises long-term risks to Member States in having to fund these liabilities through assessed contributions if revenues fall.

1.9 As explored more in WIPO's Financial Report, alongside the cash and investments, the financial statements report property, plant and equipment and intangible assets totalling CHF 375.4 million (2020: CHF 382.5 million) which are held predominantly at their historic cost. WIPO has retained reserves of CHF 408.5 million which include the special project reserves of CHF 34.8 million which we reported on last year and comment on in our follow-up to prior recommendations.

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. It remains important that as WIPO changes its operating arrangements post-pandemic, that the utilisation of these significant assets is kept under review to seek opportunities to best utilise its estate. During 2021, WIPO terminated the lease on the CAM building. This will save the Organization approximately one million Swiss Francs per annum.

2020-2021 Program and Budget performance

1.11 The Program and Budget for WIPO is prepared each biennium on a modified accrual basis. As the second year of the biennium, Statement V of the financial

statements presents a separate comparison of the budget and actual amounts for 2021 and for the 2020-2021 biennium overall. A reconciliation of the 2021 budget performance to the revenue and expenditure figures reported in the performance statement is presented in Note 17 to the financial statements.

1.12 The original budget for the biennium 2020-2021 was approved by the General Assembly with allocations for revenue and expenditure for 2021 of CHF 448.8 million and CHF 387.3 million respectively¹. Including investment gains/losses, this provided for a budgeted surplus of CHF 60.7 million. Budget revisions during the year led to a final forecast budget surplus of CHF 56.8 million.

1.13 During 2021, WIPO earned revenue of CHF 469.1 million and reported net investment gains of CHF 22.7 million. Expenditure reported on the budget basis was CHF 348.1 million, resulting in a surplus of CHF 143.7 million. This budgeting surplus compares with a surplus presented on an IPSAS basis of CHF 108.9 million. A reconciliation between the IPSAS and budget surplus is presented in note 17 of the financial statements and, as in previous years, is predominantly due to depreciation, the increases 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 2020/21².

1.14 Changes in the revenue budget relate to updated forecasts produced by WIPO's Statistics Division for the PCT, Madrid and Hague unions and we have reviewed the process for making these forecasts in Part 2. Expenditure against the biennium budget was lower than anticipated, reflecting an overall saving of CHF 38.2 million on personnel costs, arising from vacant posts, moves to part-time working and exchange rates savings on pension contributions. The underspend was partially offset by additional funding for post-employment benefits. Overall savings on non-personnel costs over the biennium amounted to 54.2 million CHF, of which 30.7 million CHF related to savings on travel costs and 13 million CHF net reductions in contractual services. Further explanations for variances to outturn can be found in the 2020/2021 WIPO Performance Report. As highlighted in **Figure 2**, each year WIPO has exceeded its fee revenue target and we have considered this in more detail in Part 2.

¹ Program and Budget for 2020/21 – Annex VII

² Document WO/PBC/34/7

Figure 2: Outturn against budgets (CHF Millions)

Fee revenue	2021	2020	2019	2018
Original budget	427.6	412.7	399.6	386.6
Outturn	450.5	441.4	420.3	400.6
Variance	22.9 (5.4%)	28.7 (7.0%)	20.6 (5.2%)	14.0 (3.6%)
Expenses				
Original budget	387.3	381.1	366.4	359.4
Outturn	348.1	327.9	366.9	339.4
Variance	39.2 (10.1%)	53.2 (14.0%)	-0.5 (-0.1%)	20.0 (5.6%)
Budget surplus³				
Planned	60.7m	52.0m	54.9	48.9m
Actual	143.7m	168.5m	122.3m	74.6m

Source: Audited Financial Statements of WIPO

1.15 Note 22 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 CHF12.6 million (2020: CHF11.0 million) and CHF2.2 million (2020: CHF 1.3 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 81.1 million and CHF 7.5 million respectively. In 2021 the level of fee revenue for Hague was CHF 6.2 million (2020: CHF 6.7 million) and Lisbon CHF 71,000 (2020: CHF 7,000); it is unlikely that these Unions will be able to address their cumulative deficits.

Employee benefits

1.16 In 2021, total personnel expenses reported in the financial statements were CHF 244.6 million (2020: CHF 233.7 million), these represent 62.9 per cent (2020: 63.9 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

1.17 WIPO's most significant liabilities are its employee benefits. As set out in Note 10 to the financial statements, these comprise most significantly the staff member's after-service health insurance (ASHI), their repatriation entitlements and accumulated leave

³ This is based on total revenue as set out in Statement V. Only fee revenue is shown in the table.

liabilities. During 2021, the overall liability for these staff benefits has increased to CHF 615.8 million (2020: CHF 495.3 million). Since 2014 WIPO has maintained a separate account for its funds 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 and Budget charge applied to the cost of posts, and this strategic cash and investments total CHF 237.2 million (2020: CHF 211.2 million), leaving an unfunded liability of CHF 378.6 million (2020: CHF 284.1 million).

1.18 We noted that after the year-end, the Director General retrospectively increased the eight per cent charge to posts for the 2020-21 biennium as originally set out in the Program Budget, by an additional set aside of CHF 7.6 million in 2021. In increasing its charge, WIPO informed us that it does not exceed the overall personnel costs approved by Member States and aims to maintain the overall 50 per cent funding level target previously agreed with Member States. While understanding WIPO's view that increasing charges, in light of the significant additional surplus over that set out in the Program Budget, is a prudent way to mitigate financial risk and in line with their practice since the 2012/2013 biennium., such retrospective amendments after year-end are unusual. WIPO should consider disclosing in each future biennium budget the assumptions that would underpin any additional funding to further offset the liabilities.

1.19 The after-service health insurance liabilities totalling CHF 573.7 million (2020: 452.8 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 2021, 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. As part of this year's valuation the actuary has further refined how the valuation reflects the ASHI claims costs of the members.

1.20 The most significant factors that have impacted the valuation of the liability are the actuarial assumptions, which increased the liability by CHF 87.5 million (**Figure 3**). These comprise:

- CHF 172.7 million loss on **demographic assumption** changes. These cover updates to assumptions such as turnover, mortality and disability, retirement and age-related adjustments to medical cost claims. The loss related significantly to changes in the approach to assessing the expected claims costs as outlined below.
- CHF 80.8 million gain on **financial assumption** changes. These cover updates to assumptions such as discount rates, inflation, medical trends and salary increases. The gains here related primarily to an 0.2 per cent increase in the discount rate in the calculation and a reduction in the medical cost trend rate from 2.9 to 2.5 per cent.
- CHF 4.4 million gain on **experience** changes. These cover adjustments required due to the difference between assumptions made and actual results.

Figure 3: Evolution of ASHI defined benefit obligation

	2021	2020
Defined benefit obligation 1 January	452,755	313,694
Interest cost	1,351	1,559
Current service cost	36,154	26,559
Contribution paid	-4,017	-3,928
Actuarial assumption changes	87,480	114,871
Defined benefit obligation 31 December	573,723	452,755

Source: WIPO financial statements

1.21 During 2021, WIPO's actuary performed further analysis on the claims arising over 2017-2020 and changed the expected claims costs per claim at each age in its calculation. Previously, the actuary applied an age-grading factor to premiums to reflect the underlying cost of claims. This year the actuary has removed these factors, instead opting for a simpler approach with no adjustments to be made to the expected costs. In deriving these new claims cost assumptions, the actuary has used data from the plan provider, listing claims reimbursements for retirees and dependants over 2017-2020. From this information, the actuary calculated the average per person claims reimbursement by age.

1.22 The actuary has based the new assumptions on recent claims data from the plan, which is a valid approach. Looking back over four years is reasonable, as older claims data is less likely to be representative of current and future claims costs, while noting more recent data may be influenced by temporary COVID-19 pressures. The actuary explained that the 2020 claims data was very similar to 2017-19 data and therefore they did not consider excluding it due to COVID-19. We believe this is a reasonable approach. In the 2020 financial statements, WIPO noted the uncertain impact of the pandemic on current claims costs. With further information now available, this sensitivity is no longer deemed as significant to the valuation.

1.23 WIPO's share of the liabilities has changed since 2020, because of the adjustment to the premium based on age. The scheme rules require that WIPO contribute 65 per cent to the monthly medical premium (35 per cent cost to the staff member). The actuary had previously used this premium contribution rate to determine WIPO's share of the total liability. For 2021, WIPO's actuary has revised this to 73 per cent of the overall defined benefit obligation. This change reflects the expectation that individuals covered by the after-service liability will claim proportionally more than they will pay in premiums (with active members not covered by this liability doing the opposite). We believe this is a reasonable expectation and better reflects the realities of the future scheme costs. It therefore represents an enhancement in the estimation techniques on which this significant liability is based.

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 715.5 million at 31 December 2025.

1.25 In our 2020 report, given the growth of this liability, we recommended, in consultation with Member States, that WIPO establish a target level of earmarked funds for its ASHI liabilities and consider the options for mitigating the potential future growth of such liabilities. In its response, WIPO has commissioned an “Asset and Liability Management Study” which was ongoing at the date of writing this report. We understand that management proposes to submit a Funding Plan for its After-Service Health Insurance Liabilities to the Thirty-Fourth Session of the Program and Budget Committee (PBC).

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 10 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2019, 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.

Annual Financial Report

1.28 We have noted previously that WIPO’s Annual Financial Report contains a more detailed financial commentary to accompany its financial statements than many other entities. It is important for all organisations to continue to challenge how they use the accompanying financial commentary on a regular basis, obtaining feedback from the users of the statements. WIPO continues to present its performance against objectives in the separate performance report and there is limited detail to align the reporting of financial results with the key outcomes of the Organization. We believe there is more scope for the financial reporting and performance to be aligned in a single annual report. In our 2020 report, we shared good practice guidance with the Secretariat and we continue to offer our assistance should they wish to further develop the financial report.

1.29 Following discussions with the Secretariat, enhancements were made to the Financial Report to highlight aspects of WIPO’s Environmental, Social and Governance initiatives. This is an area of reporting that could be further enhanced to positively demonstrate the Organization’s commitment to its responsibilities as part of the UN’s wider leadership role in the climate agenda.

GOVERNANCE AND INTERNAL CONTROL

1.30 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 and 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

1.31 WIPO operates a sound internal control environment. In common with the previous three years of 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). Maintenance of sound internal control has remained a feature of WIPO's pandemic response, reflecting the quality of information systems.

1.32 Control environments can change, and it continues to be important that WIPO has robust processes in place to provide assurance over management's review processes and the sources of assurance which evidence their effectiveness. We have considered several key areas in our report this year, reflecting on proposals to amend the framework of internal control through changes to Financial Regulations; the approach to compliance as a second line of defence; and the potential to review the arrangements within IOD, recognising that term limits will soon give rise to changes in the function. We consider that there is scope to further enhance and evolve these arrangements to meet the future needs of WIPO.

Financial Regulations

1.33 The financial activities of WIPO are governed by its Financial Regulations, which are approved by the General Assembly. The Financial Regulations represent the cornerstone of the internal financial control environment and many internal controls are established to ensure continued compliance with the requirements of the Regulations.

1.34 The most recent significant revision of the Financial Regulations was undertaken in 2008. Since that time, the Organization has implemented a comprehensive Enterprise Resource Planning system, industry best practices have evolved, and internal business processes have matured. Most recently, WIPO's new senior leadership has encouraged a cultural change and a focus on efficiency and modernisation. Looking forward, the Organization has a strategy to streamline processes including using data analytics. Consequently, during 2021, WIPO commissioned a comprehensive review of its Financial Regulations with the objective to:

- have streamline and clear Financial Regulations and Rules that reflect the current business model as represented in the Medium-Term Strategic Plan 2022 – 2026 and the Program of Work and Budget 2022/23;
- establish an enabling regulatory framework to drive key business strategies of the Organization;
- incorporate data analytics as part of the mainstreamed regulatory content for more effective and efficient controls to reduce the burden of high-volume transaction controls while minimizing risk exposure; and
- provide a regulatory framework for areas which currently are not addressed

in the Financial Regulations and to address bottlenecks, pain points and accountability in the existing Regulations.

1.35 WIPO recruited a consultancy firm to provide support to review the existing processes described in the Financial Regulations; review and evaluate the existing Regulations against those of other similar organizations; and recommend changes to processes and Regulations in the interests of good governance, best practice, efficiency and effectiveness.

1.36 In April 2022, WIPO shared the proposed amendments to its Financial Regulations for our comments. Overall, we are supportive of the principles underpinning the initiative for revising the Financial Regulations and aligning them with current working practices. The revised structure provides a more coherent framework for financial controls and addresses some important omissions from the existing Regulations, such as, partnership working, management of liabilities and aspects of the wider WIPO accountability framework.

1.37 While this was a work-in-progress at the time of our review, we made several important observations for the Secretariat to consider in finalising its revisions for consideration by the Member States at the upcoming PBC. We understand that WIPO has substantively addressed the comments we made. Subject to the Governing Bodies approval of the revised Financial Regulations, our experience suggests there may be merit in a critical review after the first year of subsequent operation to provide an opportunity to address any important omissions or clarifications.

WIPO's control environment

1.38 WIPO has continued to develop and enhance its internal control environment. We have reported over time how the second line of defence, has continued to document, assess and validate the process level controls that operate over WIPO's business processes. In 2021, WIPO had assessed 397 process level controls (2020: 381 controls) of which 91 per cent were deemed to be at a maturity level of three or above, i.e., deployed, and reliable with no inconsistency between the documented control and its actual operation. The additional controls recorded in 2021 related to property management.

1.39 The Controller's office continues to perform validation checks and tests around the assessments undertaken. WIPO has documented and mapped 112 identified risks to underlying process level controls (2020: 106) and has evidence to support the proper operation of 130 controlling activities across all process level controls (2020: 90). As part of our work this year we considered how the controls were documented and how the operation of the control was evidenced. Each control is recorded in a database system with a unique identifier and a detailed description of the control and the control owner. The control assessment records the type of control, its maturity and priority, whether it is evidenced, how frequently it occurs and what form of control it is (manual or automated). This facilitates independent assessment and associated sign-off.

1.40 We noted that many of the documented controls were granular, based on a requirement established in policy documents such as the Financial or Staff Regulations and associated rules. Generally, the controls documented were not established to mitigate against a specific identified risk and while there were priority "key" controls identified, these were not controls focused on managing significant control risks.

Overall, 141 controls were assessed as “key” and in our discussions with management it was agreed that it was important to refine the assessment of priority controls and have a more proportionate approach to the review of controlling activities, with greater focus on the significance of a control to underlying activity.

1.41 Having established the database and built procedures to document, test and evaluate the operation of those identified controls, it is now opportune to consider aligning the approach and focusing resources on those controls that are material to the Organization. It is also important to ensure that key controls over all significant business processes are appropriately documented and validated. Over the past two years alongside property management, controls in the Information and Communication Technology and HR Performance and Development areas were added to the process. These enhancements will strengthen both the efficiency and effectiveness of WIPO's compliance processes.

Recommendation 1: WIPO should:

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 significant management and administrative processes are documented.

1.42 In our 2018 report, we noted that WIPO had engaged an external consultant to identify how the Organization may leverage data analytics opportunities offered by its ERP system, through the automation of controls and data analysis. We considered that this was an area where WIPO could develop some powerful tools to continually monitor key business processes and identify unexpected results. In response to our previous recommendation, WIPO developed a strategy and roadmap for strengthening and streamlining internal controls using data analytics in four main business process areas. The development and deployment of the detailed analytics has been delayed while an associated project, to provide a data analytics environment allowing access to the varied internal WIPO data sources (a data lake), is implemented. It is currently expected that initial pilot analytics will be in place during 2022.

1.43 Since we highlighted the importance of data analytics in our first audit there has been little substantive progress in an area where some quick wins and proof of concept outcomes could provide the impetus for driving more cost-effective compliance and meaningful assurance. We consider that it is important for WIPO to adopt data analytics to drive efficiency informed by the assessment of the most significant controls to focus its compliance activities. Such an environment will enhance the quality of the evidence to support assertions within the Statement on Internal Control. It would also inform the risk assessment of the third line assurance providers such as IOD. IOD and HRMD currently run their own separate suite of data analytic routines with IOD using assistance of third-party contractors. However, a common platform across WIPO would provide synergies and help develop the capacity and capability in their use across the Organization.

Recommendation 2: WIPO should:

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.

Risk management

1.44 In 2021, we considered in greater detail WIPO's approach to risk management. The assessment and mitigation of risk are key components of the systems of internal control, and WIPO has further developed its approach over the last year, specifically by revisiting its risk appetite, in consultation with Member States.

Risk appetite

1.45 In February 2022, we were asked to consider WIPO's draft Risk Appetite Statement. The revised statement more clearly defines WIPO's risk appetite, reflecting its tolerance for taking greater risk in areas considered important in the achievement of its Expected Results. The framework articulates appetite and tolerance against each of the Expected Results across the Organization.

1.46 In our view, the articulation of the risk tolerance and appetite provides a platform against which WIPO can focus its resources, assess the effectiveness of its mitigations, and demonstrate its management of risks. It also provides clarity for WIPO staff to frame their decisions and, importantly, provides Member States a clear framework against which to judge management's performance. As might be expected for a public body, WIPO's risk tolerances, especially those relevant to culture, internal control, oversight and performance, is low. However, it is important to reflect that even within those areas proportionate risk decisions can be taken, as we have highlighted in our observations on internal control.

1.47 Overall, WIPO's clear articulation of its risk appetite is amongst the better and more mature examples we have seen. We will consider how this Statement has informed changes to processes and resources over the remainder of our mandate, since the application of the principles of this statement will demonstrate its value to WIPO.

Risk mitigation

1.48 A key purpose of risk management is to systematically identify operational risks to the delivery of an organisation's objectives and establish effective mitigations in the management of those risks. WIPO's Risk Management Group, chaired by the Director General, discusses the key identified risks on a quarterly basis. Each meeting it considers the current position on each risk with an assessment of the impact on the delivery of Expected Results. While the RMG reflects on emerging impacts from current world events in the context of WIPO's risks, the overall organisational assessment of risks is undertaken on an annual basis.

1.49 In its December 2021 meeting, the RMG was presented with a risk heat map showing the results of an organisational risk review to inform annual work planning. It was not clear from the discussions how far the group had critically challenged the completeness of risks presented and the effectiveness of the mitigations proposed by Sector leads in between the annual assessment. To enhance the effectiveness of its oversight, the RMG should consider having a greater focus on these areas at a Sector

level, especially in light of revisions to risk appetite. This will ensure that there is a focus on the cost-effectiveness of mitigations in managing the impact and likelihood of risks and provide greater assurance. Such a process, involving the Sector leads in a deep-divide challenge would help to further embed a culture of risk management.

Recommendation 3: WIPO should:

Consider a review of the standing agenda of the RMG to dedicate consideration to the completeness of risks and quality of mitigations in between the annual assessment process, to ensure the risks remain appropriate and the mitigations of lesser risks are cost effective.

Reporting on progress

1.50 In line with good practice, WIPO produces an annual risk management report to the RMG. In this, management has reported that it has responded well to the Joint Inspection Unit's (JIU) wider observations on risk management across the UN system and the subsequent risk management review by IOD. The annual report also highlighted the need to continue the process of embedding risk management and in ensuring staff involved in ERM are clear on their responsibilities and their performance in this area is assessed.

1.51 Overall, the various responses to recommendations show that WIPO is moving from an assessed level of being risk "established" (level 3) to risk "advanced" (level 4) against the UN's HLCM Reference Maturity Model criteria. This evaluation is consistent with our own assessment of WIPO's ERM maturity. WIPO informed us that they plan to move to an "advanced" level for all six risk dimensions, as recorded in the Program of Work and Budget as a performance indicator for 2022/23.

Internal Oversight Division (IOD)

1.52 During our previous audits, we highlighted the importance of aligning IOD's workplan and annual report to the financial period covered by the Statement on Internal Control which is now in place. As the position of Director of IOD is term limited, the Division will experience key personnel changes over the coming year. In advance of this, it is important that the Director General, with the advice of the Independent Advisory Oversight Committee (IAOC) and Member States, considers the future focus of IOD's activities. As WIPO further refines its risk and internal control processes, it will be important to ensure that IOD remains focused on the operational risks and key controls, and effectively supports the development of the second line. This, alongside the annual opinion which we have previously recommended, will strengthen the assurances available to the Director General.

1.53 As WIPO further develops its compliance and analytical processes the nature of IOD's work will evolve. It is important therefore to ensure IOD remains well placed to adapt to these, and that the IOD Charter reflects this. It is also important that the Director General considers the skills and capabilities required in recruitment of a new Director of IOD, reflecting the changing assurance needs of the Organization.

The Statement on Internal Control

1.54 The Statement on Internal Control is used as a key accountability document to provide a transparent report of the control environment and risks faced by organisations.

WIPO's statement is aligned to the seven components of WIPO's Accountability Framework namely: results-based management; performance and risk management; monitoring, oversight, complaints and response mechanisms; control activities; information and communication; ethical standards; and control environment. As we have commented before, WIPO have positioned this statement within a very clear and comprehensive framework which we believe provides Member States with a good degree of confidence in the control processes. The Statement clearly articulates the evidence base for the assertions made in a clear and logical manner.

1.55 The 2021 statement highlights the way in which WIPO has managed risks through the work of the RMG, focused on the risks of program delivery, managed cyber and supply chain threats, and the risks faced by the overall political environment. The Statement draws upon the coherent control framework of the three lines of defence, identifying sources of assurance and the key findings, including those from our own work, and draws attention to specific areas where improvements have been made. The Statement also draws upon the specific assurances around ICT and data security, given its importance to the integrity of WIPO's operations.

1.56 In line with good practice, the Statement commits to prospective improvements in the control environment, such as the use of analytics to support the control environment from 2023, and to improvements being made in external office controls during 2022. The Statement on Internal Control provides a critical discipline in bringing together the suite of assurances to demonstrate the fulfilment of the Director General's responsibilities in respect of internal control. During our audit, we considered the various sources of assurance and the results of our own work, and we consider that the Statement is consistent with this information. We believe the observations made for improvement in the compliance, risk and IOD processes will provide further enhancement to the assurance provided to Member States through this Statement.

PART TWO

MANAGEMENT ISSUES

FORECASTING FILING ACTIVITY

2.1 In our 2020 audit report, we observed that WIPO historically exceeded its fee revenue target and consistently underspent against its expenses budget. Consequently, the overall budget surplus each year was considerably higher than original expectations. At the time, WIPO informed us that they model the expected level of fee revenue and use this to determine the expenditure budget. Considering this we identified the modelling of filings as an area for audit attention.

2.2 As set out in WIPO's Program of Work and Budget for 2022/23, income in the biennium was estimated at CHF 951.8 million, reflecting a 7.8 per cent increase compared to the 2020/21 Program and Budget. Fee income from the PCT represents 77.4 per cent of total income and taken with the Madrid and the Hague registration systems it represents 95.5 per cent. For the previous biennium these systems represented 95.2 per cent of total projected income.

2.3 The performance forecasts supporting the income estimates for the PCT, Madrid and the Hague Unions were prepared by the Chief Economist, taking account of historical filing trends and the GDP forecasts as per the World Economic Outlook, published by the International Monetary Fund. As part of our audit, we considered how the models were designed and used, including looking at the governance and assurance over the models themselves.

The models

2.4 The models are designed to provide information on expected future filing volumes and corresponding fees from the WIPO Global IP Systems. WIPO designed the processes in house and has been reliably using them for many years. The model relies on a seasonality-adjusted **autoregressive integrated moving average**, which is a statistical analysis model that uses time series data to predict future trends. The model provides upper and lower bound estimations falling within an 80 per cent confidence interval. While such a confidence interval is broad, looking at the performance over time, this has not created a significant issue in using its results.

2.5 While the process and results are regularly presented to the management team and other colleagues, the models are not formally reviewed. Certain aspects of the model have evolved over time, though the core modelling approach has largely stayed the same. The main output from the model is the quarterly PCT, Madrid and Hague systems forecast, which is distributed internally. The forecast that provides the basis for the Organization's income planning is published as part of the biennial Program and Budget documentation. While the model description is available, the forecasting process is not documented. WIPO may wish to consider the need to document the process to ensure that institutional knowledge is appropriately documented in the event of any personnel changes.

2.6 Our approach consisted of a survey based on advice from our modelling team and its standard framework for review. This included consideration of the models: governance and assurance; concept and design; build and development; data and assumptions; and use of the outputs. Our analysis of the results and our wider considerations confirms that the model achieves its purpose of providing a reasonable basis for planning and budgeting. While further enhancements could be made to areas such as model governance, these are unlikely to have any real cost-benefits. Over time, the model has demonstrated its reliability.

2.7 While the current model serves the Organization well, as part of its risk management, it will be important for management to remain alert to any significant pending changes in the IP environment which may impact on the model's sensitivities.

Using the model output

2.8 The Program Performance and Budget Division (PPBD) use both the income prediction and the number of expected filings in developing the program budget proposal for Member States. For income, PPBD use the most likely, or base case, scenario for each of the PCT, Madrid and Hague estimates and have applied a prudence factor of five per cent in the 2022-23 program budget, due to continuing uncertainties in the global economy, to reduce the income expectation. For the previous biennium, WIPO applied a slightly lower adjustment of three per cent. There is no substantive basis for this estimation, but it provides a margin of safety from the base case scenario predicted.

2.9 For the expenditure budget, PPBD use the results to inform the variable costs related to application examination processes, such as translation services. Many of WIPO's costs are fixed by their nature and influenced by inflationary factors such as those imposed by the International Civil Service Commission and changes arising from the implementation of new initiatives, so filing activity changes impact on only a subset of the overall budget.

2.10 Overall, the results of our review highlight WIPO's prudence in its financial planning, which minimises the risk to Member States. Consequently, as highlighted in Figure 3 in our report, WIPO consistently exceeds its surplus forecast, and this has led to the continuing increase in retained reserves. It is important for Member States to have a strategic approach to the use of the Funds arising from the surpluses. We reported last year on Special Projects and there is a continuing need to fund the employee benefit liabilities, each of which have a relationship with the use of surplus reserves.

HUMAN RESOURCES MANAGEMENT DEPARTMENT (HRMD): FOLLOW-UP OF PRIOR RECOMMENDATIONS

Background

2.11 In 2018, we reported on the use of WIPO's results-based reporting, with a particular focus on those results reflecting the activities of WIPO's Human Resources Management Department (HRMD) function. We considered how HRMD reported its performance information and delivered on the priority themes in WIPO's HR Strategy (2017-2021). Our work led to four recommendations on how information was reported to Member States through the WIPO Program and Budget processes and a further eight recommendations arising from our consideration of the existing HR Strategy.

2.12 Given the importance of HR to the effectiveness of WIPO and the Director General's plans to make the Organization more agile, we have undertaken a focused follow-up of our open recommendations, looking at how WIPO's HRMD is developing its response through the new 2022-2026 HR Strategy.

Changes within HMRD

2.13 A new HR Strategy was approved in 2021; its main purpose is to respond to the new priorities of WIPO and to facilitate the delivery of the new Expected Results. The objectives of WIPO's new strategy will create a cultural shift in the way WIPO approaches the management of HR, and includes seven objectives:

- Objective 1: contribute to the development of a vibrant organizational culture that encourages open dialogue, collaboration, knowledge sharing and teamwork;
- Objective 2: improve organizational agility, create adequate flexibility and increase mobility to meet the evolving staffing needs of the business units while also enhancing diversity and inclusion;
- Objective 3: ensure that management of people performance adds value by improving organizational performance and developing staff skills;
- Objective 4: take a more strategic view of learning and career development as integral parts of talent development;
- Objective 5: invest in leadership and management development;
- Objective 6: enhance staff engagement and wellbeing; and
- Objective 7: develop a "one stop shop" service model for HRMD adapted to the needs of the business units.

2.14 To enhance the effectiveness of HRMD's delivery of the new Strategy, the Department was restructured in February 2022 into two main service areas:

- Human Resources (HR) Operations Service: with the existing Benefits and Entitlements Unit, the Pension and Insurance Unit including absence management and a new HR Data and Technology Unit; and
- Talent Management Service: the HR Talent Partners Unit and the Employee Experience Unit.

2.15 The HR Operations Service provides for the delivery of services relating to the administration of staff members' entitlements and pension and insurance schemes. It supports HRMD's ability to support the effective achievement of WIPO's program results. Greater emphasis will be placed on technology and data and a key priority is to strengthen the use of this technology and analytics to identify compliance, inform policy and report performance.

2.16 The purpose of the Talent Management Service is to prepare a future-ready and skilled workforce. Through the effective recruitment, deployment, development and retention of WIPO's workforce, the Talent Management Service should contribute to the delivery of a more agile, innovative workforce. Performance will be aligned with WIPO's short and long-term goals, with the aim of delivering tangible results that positively affect

staff engagement. Implementation of learning activities in line with the learning framework will be managed by the WIPO Academy, drawing on their skills as a training provider in the wider IP environment. Responsibility for diversity and inclusion, culture and engagement, mobility as well as talent acquisition will be transferred to the Employee Experience Unit that will focus on delivering skilled expertise throughout HR specialist domains to improve the Employee Experience.

2.17 These changes should support WIPO's HRMD move from a traditional transactional based HR function to a more coherent, strategic and people focused enabler. We have considered developments in the context of the recommendations we made, which HRMD considered when creating the new approach. In our view, the changes address many of the key principles which underpinned the key findings in our 2018 work. We will consider how these new arrangements have enhanced the provision of HR in the final report of our mandate once the new structures have become embedded.

HRMD and reporting performance

2.18 In 2018 (Recommendation 8), we reported on weaknesses in the way in which HRMD reported its performance against the Strategy then in place. We identified that the performance measures adopted and reported neither mapped to the key objectives at the time, nor did they track and measure incremental performance. At the time of preparing the current (2022-23) Program and Budget, WIPO retained only the human resource KPIs that were cross-functional or Organization wide under Expected Result 5.1, i.e., employee engagement; gender: percentage of women at P4 to D2 level; and geographical diversity: percentage by region as per agreements. Other HRMD objectives were to be measured via internal performance indicators. This is part of an overall reduction in measures to streamline reporting and performance, focusing on reporting the more strategic measures of importance to Member States contributing to the Expected Results, and using other performance data as internal measures of performance and accountability.

2.19 The new HR Strategy's seven objectives will be tracked using internal performance monitoring. HRMD's first objective is about evolving the culture of WIPO and activities are planned to begin furtherance of this during 2022, as a follow up to the organisational 'thumbprint survey' on culture. Objective 6 is focused on engagement and linked to an organisational performance indicator identified in the Program & Budget 2022-23. Objective 7 concerns HR transformation, which led to the restructuring of the department in early 2022.

2.20 Objectives 2,3,4 and 5 are all linked to the new integrated talent management strategy, underpinned by workforce planning, and report against internal performance indicators to measure maturity. Workstreams are in place to progress initiatives to build on learning and development together with performance and talent management. Each of these will be linked to internal measures to monitor and assess progress.

2.21 We plan to consider the emerging changes to WIPO's approach in the final year of our mandate to assess their impact on performance reporting. We have closed our associated prior recommendation (2018: Recommendation 6).

Diversity and inclusivity

2.22 The Director General has adapted the gender and diversity policies of WIPO and has established a wider focus on Gender and IP. Developing and monitoring progress within WIPO is now the responsibility of the Employee Experience Unit to ensure that Diversity and inclusion are embedded within HR talent programmes. Together with the retention of the diversity targets in Expected Result 5.1, the changes address the recommendations we made to focus attention on the reporting of these important measures (2018: Recommendation 11). The new structures and other initiatives should enable WIPO to better support its workforce to develop and fulfil its potential, drawing upon the diversity and skills of its workforce.

Talent and absence management

2.23 A major feature of our 2018 review was consideration of WIPO's approach to talent management. We then noted that the processes at the time did not focus learning and development on the specific needs of the business and lacked a strategic approach. In our view the decisions taken to restructure HRMD ensure greater focus on the issues of talent management. The Learning and Development strategy will come under the broader Talent Management Strategy to reinforce the connections with Performance and Mobility.

2.24 WIPO's Learning and Development statement demonstrates a renewed commitment to these areas as a core component of WIPO's business strategy, with an emphasis on employees being supported to progress and grow their own careers. This is supported by new initiatives to pilot new evaluation mechanisms to assess the effectiveness of training and its impact on individuals through an emphasis on feedback, including 360-degree. Overall, the emphasis is on growing talent through a focus on leadership and management skills. Additionally, the learning framework reflects an integration with the employee career path, to ensure the right training is delivered at the right stage of their progression. WIPO plans to use the Strategic workforce planning discussions to deploy this model across the Organization. We are content that this new emphasis and the measures put in place to address the weaknesses we identified in the previous arrangements, if sufficiently enacted, will support the development of a more agile workforce to meet the future needs of WIPO.

2.25 We made a recommendation (2018: Recommendation 15) on the need to improve the management of staff absences. In line with an associated IOD recommendation, WIPO has introduced new reporting to identify and track cases requiring attention, establishing certain thresholds for incremental action, such as absence of more than: 20 days in a year; 60 per cent of an individual's annual entitlement or 15 days in the 30-day period. Cases identified through these mechanisms are reviewed with the Medical Unit and involve the Business Partner in charge of the Sector to ensure solutions are identified. Once these arrangements are embedded, WIPO may wish to revisit and strengthen these new monitoring parameters and consider benchmarking its levels of sickness absence with other appropriate entities.

2.26 HRMD has also established new proactive approaches to the management of absences, to better support employees in their return to work, and to support managers in the case of managing absence and the adjustments that may need to be made to facilitate an employee's return. WIPO is also being more systematic in following up on staff returning from long term (more than six weeks consecutive) sick leave to ensure

measures are being deployed appropriately to support staff and the business. We consider that WIPO has suitably improved and enhanced its management of these absences.

Employee engagement

2.27 Our previous recommendation (2018: Recommendation 16) was for WIPO to undertake more regular engagement through staff surveys to both assess the needs and concerns of the workforce and to assess the effectiveness of the impact of HR policies. We also highlighted that this would provide useful measures to assess the performance of the HR strategies of WIPO. The changes in WIPO's organisational culture and the impacts of pandemic working have helped to facilitate a new approach in this area. WIPO's medium term strategic plan highlights the importance of placing the individual at the centre of people management. As part of this commitment, WIPO has engaged a third-party to establish a "voice of employee" platform to enable regular dialogue with staff. The tool is intended to provide WIPO with information and constructive feedback on the work environment and workplace practices and will deliver real-time reporting, allowing HRMD and sector managers at all levels to share results quickly and efficiently. The Director General announced the new process in March 2022.

2.28 While it is too early to assess the impact of the survey and how it will inform the HR strategy and management of staff, it represents a significant change in approach, which we consider addresses the issues we identified. Enhancing employee engagement will provide richer data to inform decision making and its frequency will mean that management can better monitor the impacts of the changes being introduced within WIPO. Experience has shown that if there is a failure to address the issues identified from the process, staff will lose confidence in the process and no longer actively engage, and participation will reduce. WIPO should monitor this risk closely to safeguard its commitment to staff members.

2.29 Overall, we have noted the significant enhancements made to HR processes within WIPO. While many of these elements are yet to embed and be fully implemented, critical foundations have been established to underpin the Director General's ambitions for WIPO.

PART THREE

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 2021. 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.

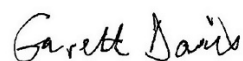
PRIOR RECOMMENDATIONS

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 2022. 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 23 recommendations from 2020 and previous years that remained open, we closed 14 (61 per cent) having either been implemented or overtaken by events. Nine recommendations (39 per cent) remain in progress, these mostly relate to the recommendations made last year Our predecessor's recommendation on the fee structure for the Madrid Union (2017 R#9): while on a roadmap for future consideration by governing bodies, has not yet been considered.

ACKNOWLEDGMENTS

4.4 We would like to thank the Director General and his staff for their co-operation in facilitating our audit engagement.



Gareth Davies
Comptroller and Auditor General, United Kingdom - External Auditor
19 May 2022

Appendix One

FOLLOW-UP OF PRIOR YEAR RECOMMENDATIONS

(Source: WIPO TEAMCENTRAL REPORT - May 2021)

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
2017 (WO/PBC/28/4) R#9	Review the existing fees structure with a view to making the Madrid Union self-sustaining, after carefully weighing its impact on the accession of new members and on the usage of Madrid System.	<p>WIPO Management accepted the Recommendation and stated that the review of the fee structure of the Madrid System is a topic for work in the mid-term as per the revised Road Map for the Working Group on the Legal Developments of the Madrid Union. Part of the Road Map for the Madrid Working Group.</p> <p>Due to the sensitive nature of this Recommendation, the right time to consider changes to the fee schedule is yet to be determined.</p>	<p>We note the administration's comments and note no date for implementation has been provided. We will review the status during next year's audit.</p> <p>We also have referred to the cumulative deficits in the Lisbon and Hague Unions in this year's report.</p>	In progress – No estimated date for implementation has been provided.
2018 (WO/PBC/30/4) R#6	Ensure that the key performance indicators for each program contain an appropriate balance of measures to align activities to the strategic goals.	The Program of Work and Budget of 2022/23 has been established and approved by Member States. This recommendation has therefore been considered in the preparation of the Program of Work and Budget.	Following the adoption of the new MTSP and the subsequent changes to WIPO's Program of Work and Budget we have closed this recommendation and will reconsider results-based	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
2018 (WO/PBC/30/4) R#8	Reserve the category of "fully achieved" for future reporting of performance to Member States where achievement is, at least, 100 per cent of target values.	Implementation actions completed in the WPR for 2021. WPR 2021 up to 100%. Instructions for preparation of the WPR are clear that only those that are 100% will be rated as fully achieved.	management in the final year of our mandate when the changes have had a chance to embed.	Implemented and closed.
2018 (WO/PBC/30/4) R#9	Assess the extent to which existing performance indicators adequately measure progress in addressing the four priorities set out in the 2017-21 HR Strategy, with a view to developing new or replacement indicators where significant gaps or a disproportionate emphasis exist.	This recommendation was based on the 2017-21 HR Strategy "with a view to developing new or replacement indicators where significant gaps or a disproportionate emphasis exist". This Strategy 2017-2021 is no longer valid as it was replaced with the new HR Strategy, aligned with the new Medium Term Strategic Plan, was validated by Member states in October 2021.	We have reviewed in more detail the Secretariat's responses to our previous HR recommendations in Part 2 of this year's report. New performance arrangements have been implemented and will be subject to our future considerations in 2023.	Overtaken by events. Closed.
2018 (WO/PBC/30/4) R#11	Monitor implementation of actions from its 2018 Gender Parity Action Plan and reports on their progress (and early	WIPO's Policy on Gender Equality was revised and was ready to publish by end of year following consultations with internal stakeholders and management. However, in the context of the decision by the Director General to create a new	WIPO's new Director General has changed the focus on gender issues, and we believe this more holistic approach addresses the principles	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
	indications of impact) in future HR Reports.	area of work on IP and Gender, it was agreed to delay this issuance to ensure alignment with a strategy on IP and Gender that needs to be developed. The new Senior Advisor, IP and Gender started work in March, so we do not expect any progress until June-July.	underpinning this recommendation.	
2018 (WO/PBC/30/4) R#13	Consider reviewing the effectiveness of its training offer, to ensure it meets current business needs and the talent management strategic priorities	The new HR Strategy 2022-2026 has 7 objectives, and 4 of these relate to integrated talent management, with a clear emphasis on Learning and Development. The DG nominated in November 2021 a task force to work with HR and the Academy (now in charge of internal training) on the development of a strategic learning framework. This has led to the development of an L&D strategy that integrates elements of Learning but also Performance and Mobility.	We have reviewed in more detail the Secretariat's responses to our previous HR recommendations in Part 2 of this year's report. New structures and priorities have established a foundation to enhance the prioritisation and delivery of talent management programmes.	Implemented and closed.
2018 (WO/PBC/30/4) R#15	Consider ways in which the level of average staff absence can be reduced, and to introduce good practice techniques which require greater accountability for taking sickness absence, including consideration of return to work interviews.	The Medical Unit and other HR colleagues have bi-monthly meetings to discuss the best course of action for each case of long-term sick leave outlined in a monthly report, and involve additional stakeholders as required (the corresponding supervisors and hierarchy, medical practitioner, etc.). The Medical Unit and HR coordinate and lead a multidisciplinary RTO plan	We have reviewed in more detail the Secretariat's responses to our previous HR recommendations in Part 2 of this year's report. We consider the arrangements now established by WIPO provide a suitable set of	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
2018 (WO/PBC/30/4) R#16	Undertake an annual staff survey to ascertain the baseline for measuring staff perceptions around the wide range of HR issues which underpin the strategic aims and to measure the effectiveness of HR policy and implementation. The survey could assess themes such as motivation, development, well-being, workplace harassment, management and transparency and to measure the staff perceptions of the support provided by enabling functions like HR	according to the guidelines and with the relevant stakeholders.	mechanisms to better manage staff absence.	Implemented and closed.
2019 (WO/PBC/31/3) R#2	Consider the development of a clearer strategy for offices outside of Geneva taking full account of the business and operational priorities identified in its next strategic plan and	In view of the 'Guiding Principles Regarding WIPO External Offices', the Secretariat understands that this recommendation is directed to the Member States.	The draft terms of reference for the evaluation of WIPO External Offices are being considered at the upcoming Thirty-Fourth Session of the PBC. The decisions from that meeting will guide the discussion and further development of	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
	establishing clearer criteria to support the decision-making process		the External Office network. On this basis and given aspects of our 2019 report have been factored into the document, we are closing this recommendation as it is now a matter for Member States.	
2019 (WO/PBC/31/3) R#3	Following a more clearly articulated strategy, consider changes to the balance of responsibilities between Member States and the Secretariat in relation to external office decision-making.	In view of the 'Guiding Principles Regarding WIPO External Offices', the Secretariat understands that this recommendation is directed to the Member States	The draft terms of reference for the evaluation of WIPO External Offices are being considered at the upcoming Thirty-Fourth Session of the PBC. The decisions from that meeting will guide the discussion and further development of the External Office network. On this basis and given aspects of our 2019 report have been factored into the document, we are closing this recommendation as it is now a matter for Member States.	Closed.
2019 (WO/PBC/31/3) R#4	Consider measures to enhance the activity reports and plans	The Regional and National Development Sector (RNDS) is developing a template on the activity	We note WIPO's response and we will	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
	<p>produced by external offices by:</p> <ul style="list-style-type: none"> • ensuring these follow closely the activities agreed in Program and Budget work plans, enabling a clearer assessment of external office progress. • adopting a 'plan on page' discipline to these reports recording key metrics, activities and engagements and key next steps in line with the agreed work plan. • reviewing the frequency of the formal reporting of external office activities, if supplemented by other more regular communications. 	<p>reports and these will be rolled-out in the second quarter of 2022</p>	<p>further consider as part of next year's audit.</p>	
<p>2019 (WO/PBC/31/3) R#5</p>	<p>Consider the value in IOD undertaking an audit of external office operations and the flow of</p>	<p>The Annual Oversight Plan includes the review of 1-2 External Office for 2022 pending travel and sanitary conditions</p>	<p>We note the response of IOD and the plan to review External Offices</p>	<p>Implemented and closed</p>

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
	information between offices and the headquarters.		as part of its 2022 programme.	
2019 (WO/PBC/31/3) R#6	Alongside existing indicators and measures, consider establishing specific result areas and performance indicators relevant to each external office, reflecting the unique circumstances of their implementation priorities and the local context.	The Secretariat will take this duly into account in the context of the preparation of the Program and Budget 2022/2023 The recommendation revised due date has been set to 30 June 2022.	We note WIPO's future implementation date of this recommendation and we will again review the status during next year's audit.	In progress – WIPO's revised implementation date: 31/6/2022
2019 (WO/PBC/31/3) R#7	Consider regular independent surveys of host country stakeholders to measure their views on the contributions from the external offices, to identify trends and movements and to ensure they remain relevant and focused on WIPO core objectives.	The Secretariat accepts the recommendation within the context of the WIPO Performance Assessment biennial exercise. The Recommendation revised due date has been set to 30 June 2022.	We note WIPO's future implementation date of this recommendation and we will again review the status during next year's audit.	In progress – WIPO's revised implementation date: 31/6/2022
2020 (WO/PBC/33/5) R#1	WIPO should undertake an assessment of ways of working to identify how lessons learned from the pandemic working	An Internal management assessment of the continuity of business operations during the COVID-19 pandemic was completed during the course of 2021 through a comprehensive review of WIPO's COVID-19 Pandemic crisis management response conducted by WIPO's Internal Oversight Division, and involving all	We note WIPO's response. Recognising that the impact of the pandemic is ongoing, we will consider revised	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
	practices can serve to minimise unnecessary travel where in person contact does not provide a significant benefit to the outcomes.	functional areas referred to in the recommendation. Lessons learned and recommendations were identified for implementation from 2022. The pandemic is ongoing, however lessons learned have already been included in the Program of Work and Budget 2022/23 with reduction in travel budget to reflect the new normal of use of hybrid and virtual meetings. WIPO will not return to travel as normal after the pandemic, and we are pushing hard to ensure that much technical assistance and capacity development is delivered virtually where this does not lower impact.	ways of working over the remainder of our mandate and comment in future reports as necessary.	
2020 (WO/PBC/33/5) R#2	WIPO should: a) in consultation with Member States, establish a target level of earmarked funds for its ASHI liabilities; b) consider the risks and benefits of formally designating earmarked ASHI investments as plan assets to enhance transparency over the net liability; c) consider and engage with Member States on the options for mitigating the potential future growth in ASHI liabilities.	The Asset and Liability Management Study is scheduled to commence in Q1 2022, with a final report expected in Q2 2022. Based on this analysis and the assessment of the future funding of WIPO's ASHI liability, management will prepare a paper for the PBC considering the points raised in the recommendation.	We note the response and will review the study when it's finalised and available. We further note the Funding Plan for After-Service Health Insurance (ASHI) Liabilities matter is scheduled to be discussed at the thirty-fourth session of the PBC (June 2022).	In progress.
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	This recommendation will be implemented in phases. Phase1, which is to enhance the data analytics capacities of IOD has been completed. The implementation date of this	As noted in our 2020 report, we do not consider the timetable for IOD to provide an annual opinion to be particularly	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
	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.	recommendation has also been moved back to June 2025, as IOD plans to implement this recommendation with the issuance of SIC at 31.12.2024, which will be presented to the PBC in June 2025.	ambitious and would urge Member States to seek this sooner.	
2020 (WO/PBC/33/5) R#4	WIPO should conduct a comprehensive and systematic assessment of the lessons learned from its deployment of preparedness plans in response to the pandemic to inform the development of business continuity procedures.	<p>Lessons learned through IOD's assessment of the Organization's Covid-19 pandemic response is being finalised, and plans will be put in place for those lessons that are actioned.</p> <p>Each functional business plan, as it is completed, will have embedded within it actions, gaps and exercises that reflect lessons learned from the Covid-19 crisis response, and its implications on business continuity.</p> <p>Recommendation due date has been set to 31 December 2022.</p>	We note the Secretariat's response and the future implementation date for this recommendation.	In progress.
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 understand the priority areas for investment.	<p>The recommendation is accepted. Thresholds will be implemented in future CMP and biennial budget cycles.</p> <p>To be incorporated in the CMP proposal, which will be presented to the PBC in 2023</p>	We note the Secretariat's response and the future implementation date for this recommendation.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
2020 (WO/PBC/33/5) R#6	WIPO should consider greater integration of the CMP with its medium-term strategy.	The recommendation was implemented by linking each CMP project to the MTSP 2022-2026 in the CMP proposal submitted to the 33rd session of the PBC (WO/PBC/33/11).	We note WIPO's response and how they have aligned CMP proposals to Expected Results and Medium-term Strategic Plan.	Implemented and closed.
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. To be incorporated in the CMP proposal, which will be presented to the PBC in 2023.	We note the Secretariat's response and the future implementation date for this recommendation.	In progress.
2020 (WO/PBC/33/5) R#8	Member States may wish to establish thresholds for projects included in the CMP to make the plan efficient and focused on the main strategic investment initiatives and to establish different assurance and reporting requirements to mirror the	The recommendation is accepted. The differentiation in reporting requirements will be implemented for both ongoing and future projects in the context of the WIPO Performance Reports. Implementation actions to be completed in the WPR for 2021, to be reviewed for closure by external auditors during the Final Audit.	We note the threshold applied in the WIPO Performance Report 2020/21. This approach addresses the principles of our recommendation and WIPO should ensure it applies these principles in future CMP proposals.	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2022	External Auditor's view	Status
2020 (WO/PBC/33/5) R#9	<p>proportionality and scale of the project.</p> <p>WIPO should consider whether the content of PIDs could be enhanced to provide:</p> <p>a) better option appraisal analysis including, where relevant, outsourcing options;</p> <p>b) clear articulation of the baseline position and target outcomes for subsequent evaluation and to help measure the achievement of value for money;</p> <p>c) greater articulation of the full costs, including the life-cycle costs of the projects; and</p> <p>d) appropriate risks to the achievement of the project's objectives together with realistic mitigation actions to determine the real level of residual risk.</p>	<p>The recommendation is accepted and will be implemented for any future CMP project approved by the Member States.</p> <p>The actions will be implemented for CMP projects recommended for approval in PBC 33 (WO/PBC/33/11).</p>	<p>We note the enhanced business cases included in the CMP presented to the Thirty-third Session of the PBC.</p>	<p>Implemented and closed.</p>

MANAGEMENT'S RESPONSES TO THE RECOMMENDATIONS MADE BY THE EXTERNAL AUDITOR

Recommendation no.1

WIPO should:

- 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 significant management and administrative processes are documented.

Response

The recommendation is accepted and will be implemented in 2022 and 2023. The Secretariat has commenced a review of process level controls with a view to rationalizing the level of granularity and in order to identify key controls. A future approach will be developed to validate key controls on a more frequent basis than non key controls. A roadmap will be prepared to include any other relevant processes to ensure comprehensive analysis.

Recommendation no.2:

WIPO should:

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.

Response

The recommendation is accepted and will be implemented 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.

Recommendation no.3:

WIPO should:

Consider a review of the standing agenda of the RMG to dedicate consideration to the completeness of risks and quality of mitigations in between the annual assessment process, to ensure the risks remain appropriate and the mitigations of lesser risks are cost effective.

Response

The recommendation is accepted and will be implemented in 2022. Risks and mitigations are discussed during the RMG meetings. These discussions focus primarily on organizational risks. The standing agenda of the RMG will be updated to include an item to consider effectiveness of risk mitigations. This will ensure a more systematic coverage of risk mitigations including at the sector level.