

## **WIPO Independent Advisory Oversight Committee**

**Thirty-Eighth Session**  
**Geneva, August 24 to 28, 2015**

### **REPORT**

*adopted by the WIPO Independent Advisory Oversight Committee*

## INTRODUCTION

1. The 38<sup>th</sup> session of the WIPO Independent Advisory Oversight Committee (IAOC) took place from August 24 to 28, 2015. Present were Ms. Mary Ncube (Chairperson), Messrs. Gábor Ámon (Vice-Chairperson), Anol Chatterji, Egbert Kaltenbach, Nikolay Lozinskiy, and Zhang Guangliang. Mr. Fernando Nikitin sent apologies for his absence.

## AGENDA ITEM 1: ADOPTION OF THE AGENDA

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

## AGENDA ITEM 2: INTERNAL OVERSIGHT

3. The IAOC met with Mr. Tuncay Efendioglu, the Acting Director of the Internal Oversight Division (IOD), who briefed the Committee on the status of implementation of the IOD work plan.

### *Internal Audit*

4. The Committee discussed with the Acting Director, IOD, and with the Program Managers concerned, two audit reports, namely “Audit of the WIPO Academy” and “Audit of Safety and Security”.

5. With regard to the audit of the WIPO Academy, the Committee believes that the audit recommendations will help in formalizing and implementing the repositioning of the Academy. Management pointed out that the implementation of certain recommendations depended on the issuance of a new Office Instruction defining the Academy’s mission, objectives, roles and responsibilities, but assured the Committee that implementation action on other recommendations made would start without delay.

6. With regard to the Audit of Safety and Security, the Committee welcomed this timely review of an area which is critical for the functioning of WIPO. The Committee was pleased that the audit identified several good practices in the area of Safety and Security. As to the areas for improvement identified by the audit, the Committee noted that Management has accepted all ten audit recommendations made and is committed to implement the four high priority recommendations by the end of 2015. The Committee believes that the audit findings can guide and inform the newly recruited Chief Security Officer and the future Head of Safety and Security Coordination Service in their responsibilities. The Committee was informed that the report would not be published due to reasons of confidentiality, as the report contained some sensitive information.

7. The Committee was informed that the report on the Review of Business Continuity Management (BCM) was being finalized and that preparations for the audit of the Ethical Framework would be resumed once the new Chief Ethics Officer was on board.

### *Evaluation*

8. The Committee reviewed a draft of the new Evaluation Policy, prepared by IOD in response to the recommendations of the external quality assessment of the evaluation function.
9. The IAOC was pleased to note that the draft document clearly establishes the principles for the evaluation function in WIPO and describes the role of IOD in centralized and decentralized evaluations. The Committee provided the Acting Director, IOD with a number of suggestions for consideration in finalizing the new Evaluation Policy.
10. The IAOC was concerned about the considerable delay in finalizing the evaluation report on the program evaluation of Program 30: Small and Medium-sized Enterprises and Innovations (SMEs). As reported in the IAOC's report on its 37<sup>th</sup> session, a draft evaluation report had been shared with the Program Managers concerned as early as April 30, 2015. The Committee had expected to discuss the final evaluation report at its 38<sup>th</sup> session. However, the Director, IOD informed the Committee that Management comments were only received in August 2015, resulting in a significant delay in issuing the report. The Committee emphasized the need for Program Managers to actively engage in oversight assignments and to provide their comments on a timely basis.

### *Investigation*

11. The IAOC was briefed on the status of ongoing investigation cases and their disposition. The Acting Director, IOD also briefed the Committee on the preparations for the planned external assessment of the investigation function.
12. The Committee discussed with the Acting Director, IOD, a Management Implication Report issued by IOD, resulting from an investigation which showed the need to reinforce existing information and physical access controls. The Committee was informed that the report would not be published due to reasons of confidentiality.

### *Private Session with the Acting Director, IOD*

13. The IAOC met in private session with the Acting Director, IOD in line with its Rules of Procedure, which provide that "*The Committee shall meet at least twice a year in private sessions with the Director, IOD.*"

## **AGENDA ITEM 3: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS**

14. The Committee noted that despite active follow-up, the total number of outstanding recommendations reported at the 38<sup>th</sup> session remained at about the same level of 176 that was reported in the 37<sup>th</sup> session. While 24 recommendations had been closed, 23 new recommendations had been added, resulting in a total number of 176 reported outstanding recommendations.
15. As advised by the IAOC, the Director, IOD had reassessed all outstanding high priority recommendations and modified the initial risk ratings as appropriate, in order to reflect any changes in residual risk.
16. The Committee noted that the number of 176 recommendations did not yet include the 21 recommendations contained in the Report of the External Auditor issued in July 2015. The Committee was informed that the process for uploading these recommendations in the database system was still not working smoothly and that further coordination efforts would be made between Management, IOD, and the External Auditor.

#### **AGENDA ITEM 4: STATUS OF RECRUITMENT OF DIRECTOR, IOD AND OF CHIEF ETHICS OFFICER**

17. The IAOC received, from the Director General, a Memorandum dated August 24, 2015, seeking endorsement for the appointment of the selected candidate for the position of Director, IOD. The Committee reviewed the profile of the proposed candidate against the requirements of the vacancy announcement and provided its response to the Director General.

18. The IAOC was informed by Management that a candidate for the position of the Chief Ethics Officer had been selected and will be appointed as of September 15, 2015.

#### **AGENDA ITEM 5: REPORTS OF THE EXTERNAL AUDITOR**

19. The Committee reviewed the Audited Financial Statements for the year ended December 31, 2014 and the Report of the External Auditor.

20. The report of the External Auditor contains the findings of the audit of the Financial Statements, the performance audit of the implementation of the ERP System and the compliance audit of the Human Resource Management Department. The report contains 21 recommendations, all of which have been accepted by Management for implementation.

21. In respect of the ERP System implementation, the Committee noted that the External Auditor's Report contained a recommendation that Management "...continue to explore ways to limit the delay at a project level as well as the portfolio level." While accepting the delay and the need to limit it, Management stated that they had "placed an emphasis on quality and cost over time". The Committee will monitor the ERP System implementation more closely at its future sessions.

22. The Committee noted that the External Auditor's report includes six recommendations emanating from the compliance audit of the Human Resource Management Department which called for aligning certain practices in the administration of benefits to regulations, rules and policies. Management had accepted the recommendations in full and undertook to implement them with immediate effect.

##### *Audited Financial Statements*

23. The Committee noted that the External Auditor had placed an unqualified audit opinion on the financial statements for the year ended 31 December 31, 2014. The Committee also noted that the External Auditor had recorded its appreciation of the changes/improvements carried out by Management in the Financial Statements in response to their audit observations.

24. The surplus for the year 2014 on an IPSAS basis stood at Swiss francs 37 million compared to Swiss francs 15.1 million in 2013, an increase of 145 per cent. Total revenue in 2014 was Swiss francs 370.2 million, compared to Swiss francs 351.6 million in 2013, representing an increase of 5.3 per cent.

25. The largest source of revenue was the PCT system fees at Swiss francs 278.6 million representing 75.2 per cent of the total revenue earned by WIPO and 8.2 per cent increase over the previous year. Madrid system fees represented the second largest source of revenue, making up 14.9 per cent of total revenue for 2014, a decrease of 0.5 per cent, compared to the previous year. The Hague system revenue at Swiss francs 3.2 million, represented the third largest source of revenue in 2014.

26. Total expenses in 2014 were Swiss francs 333.2 million, representing a decrease of 1.0 per cent. Personnel Expenditure at Swiss francs 216.4 million was the largest expense caption

in 2014 and represented an increase of 1.1 per cent over 2013. Expenses on Contractual Services at Swiss francs 63.6 million, is the second largest expense caption, representing a decrease of 2.2 per cent over 2013. Operating Expenses at Swiss francs 20.8 million was the third largest expense caption, representing a decrease of 1.4 per cent, compared to the previous year.

27. In relation to the Financial Statements, the External Auditor made four recommendations, including a recommendation to prepare the Program Performance Report (PPR) before the conclusion of the financial audit or provide explanation for the variance between budget and actuals in the Financial Statements.

#### **AGENDA ITEM 6: UPDATE ON PBC/23 SESSION**

28. The Committee was briefed by Management on the recently concluded PBC/23<sup>rd</sup> session.

29. The Management Team briefed the IAOC on progress made in implementing recommendations emanating from the JIU report "Review of Management and Administration in the World Intellectual Property Organization (WIPO)" (JIU/REP/2014/2), and informed the Committee that all recommendations had been implemented except for three recommendations which are addressed to the legislative body.

30. Two members of the Committee, Mr. Gabor Amon, Vice-Chair, and Mr. Anol Chatterji, will attend the forthcoming PBC 24<sup>th</sup> session.

#### **AGENDA ITEM 7: MATTERS ARISING FROM INVESTIGATIONS**

31. The Committee discussed matters arising from investigations and the role it should play in providing advice in relation to investigation cases requiring referral to external investigative offices.

#### **AGENDA ITEM 8: IAOC ANNUAL REPORT**

32. The IAOC prepared and adopted its Annual Report which presents an overview of its activities during the period September 1, 2014 to August 31, 2015.

#### **AGENDA ITEM 9: COMMITTEE SELF-ASSESSMENT**

33. Based on a self-assessment conducted by the Committee members, the IAOC discussed ways to enhance its operations and effectiveness.

#### **AGENDA ITEM 10: INFORMATION SESSION FOR MEMBER STATES**

34. An Information Session for Member States was held at which the IAOC briefed the representatives of Member States on deliberations during the present session.

#### **AGENDA ITEM 11: OTHER MATTERS**

##### *Construction Projects*

35. The Committee received from Management, a short briefing on the status of closure of accounts related to the Construction Projects. The IAOC took note that the final accounts and the associated additional funding requirements, if any, would be determined in the light of the outcome of the on-going discussions with the professional parties involved. The Committee will review the final report at its next session in November 2015.

*Next Session*

36. The IAOC's next session will take place from Monday, November 23 to Friday, November 27, 2015. The draft Agenda for that session is as follows:

- (1) Meeting with the Director General
- (2) Internal Oversight
- (3) Follow-up on Oversight Recommendations
- (4) Ethics
- (5) External Audit
- (6) ERP
- (7) ERM
- (8) Briefing on The Hague Union
- (9) Update on Construction Projects
- (10) Information Session for Member States
- (11) Other Matters

*Sessions in 2016*

37. The IAOC decided on the following dates for its regular sessions in 2016:

- March 15 to 18, 2016 – IAOC 40<sup>th</sup> session
- May 30 to June 3, 2016 – IAOC 41<sup>st</sup> session
- August 22 to 26, 2016 – IAOC 42<sup>nd</sup> session
- November 28 to December 2, 2016 – IAOC 43<sup>rd</sup> session.

[Annexes follow]



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**WO/IAOC/38/2**  
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## **WIPO Independent Advisory Oversight Committee**

**Thirty-Eighth Session**  
**Geneva, August 24 to 28, 2015**

### **AGENDA**

*prepared by the WIPO Independent Advisory Oversight Committee*

1. Adoption of the Agenda
2. Internal Oversight
3. Follow-up on Oversight Recommendations
4. Status of Recruitment of Director, IOD and of Chief Ethics Officer
5. Reports of the External Auditor
6. Update on PBC/23 Session
7. Matters arising from Investigations
8. IAOC Annual Report
9. Committee Self-Assessment
10. Information Session for Member States
11. Other Matters

[Annex II follows]

IAOC/38  
August 24 to 28, 2015

List of Documents

**ITEM 1: ADOPTION OF THE AGENDA**

- [01] Draft Agenda
- [02] Draft Timetable

**ITEM 2: INTERNAL OVERSIGHT**

*Internal Oversight Division:*

- [03] IOD Quarterly Progress Report – Status of Work (Final) August 2015 / IOD-IAOC-2015/03
- [04] Annual Report by the Director of the Internal Oversight Division (IOD) August 2015 / WO/GA/47/4 (WO/PBC/24/6)

*Internal Audit:*

- [05] Internal Audit Report IA 2015-02 “Audit of the WIPO Academy”
- [06] Internal Audit Report IA 2015-05 “Audit of Safety and Security”

*Evaluation:*

- [07] Evaluation Policy (Draft) for comments  
Second Edition / 2016 – 2020

*Investigation:*

- [08] Management Implication Report on Information and Physical Access Controls / IOD-INV-2014-07

**ITEM 3: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS**

- [09] Memo on Open Oversight Recommendation – August 2015

**ITEM 4: STATUS OF RECRUITMENT OF DIRECTOR, IOD AND OF CHIEF ETHICS OFFICER**

**ITEM 5: REPORTS OF THE EXTERNAL AUDITORS**

- [10] Audit Report, Financial Year 2014 – July 30, 2015
- [11] Annual Financial Report and Financial Statements 2014 –  
doc WO/PBC/24/8 – July 30, 2015

**ITEM 6: UPDATE ON PBC23 SESSIONS**

- [12] Document WO/PBC/23/9 – List of Decisions – July 17, 2015

**ITEM 7: MATTERS ARISING FROM INVESTIGATIONS**



**ITEM 8: IAOC ANNUAL REPORT**

[13] Report by the WIPO IAOC – WO/PBC/24/2 Prov.

**ITEM 9: COMMITTEE SELF-ASSESSMENT**

[14] IAOC Self-Assessment Questionnaire – May 2015

**ITEM 10: INFORMATION SESSION FOR MEMBER STATES**

**ITEM 11: OTHER MATTERS**

[End of Annex II and of document]