

WIPO Independent Advisory Oversight Committee

Forty-Fifth Session
Geneva, July 3 to 6, 2017

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION

1. The 45th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place from July 3 to 6, 2017. Present were Misses Tatiana Vasileva and Maria Vicien-Milburn, Messrs. Gábor Ámon, Mukesh Arya, Othman Sharif, and Zhang Long. The Vice-Chair, Mr. Egbert Kaltenbach, sent apologies for his absence.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

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

AGENDA ITEM 2: MATTERS ARISING FROM PREVIOUS SESSION

3. The IAOC took stock of the actions carried out following the decisions taken at its 44th session.

AGENDA ITEM 3: MEETING WITH THE DIRECTOR GENERAL

4. In his meeting with the Committee, the Director General gave an overview of the general state of the Organization up to the reporting session. In the latter half of the current biennium, the Organization was on track to repeating the good results of the first year. The Director General also briefed the Committee on the Secretariat's upcoming presentation of the draft program and budget for the biennium 2018-2019 before the 26th session of the Program and Budget Committee (July 11 to 15, 2017).

AGENDA ITEM 4: INTERNAL OVERSIGHT

Internal Audit Reports

5. The Committee reviewed, together with Management and the Director, IOD, the audit reports of the Madrid Registry and of Payroll, which were published on May 11 and May 23, 2017, respectively.

Audit of Madrid Registry

6. The Committee noted the recommendations contained in the Audit Report of the Madrid Registry, and appreciated the presence of the Deputy Director General, Brands and Design Sector, and the Director, Madrid Registry, who provided positive perspectives in the implementation of recommendations. The Committee received explanations on balancing the need for *ad hoc* staff to manage periodic peak levels of applications and core staff to maintain a steady net increase of workload over the years. The recommendations concerning the training of staff and the IT platform of the Madrid International Registrations Information System (MIRIS), were also considered. The Committee agreed with Management on the high quality and usefulness of the report.

Audit of Payroll

7. During the session, the Committee reviewed the Audit Report of Payroll which had been conducted in accordance with the IOD workplan for the year 2017.

8. The Audit of Payroll was conducted along to a number of factors, including certain key elements set forth below:

- (a) Payroll representing 65 per cent WIPO's expenditure (and, as such, the biggest single line of expenditure);
- (b) WIPO had successfully implemented the revised UN Compensation Package for Staff in the Professional and Higher Categories;
- (c) The need to streamline various IT resources in general management, and particularly in Human Resources.

9. The Director, IOD, apprised the Committee on the objectives of the Audit of Payroll, the main elements of which were to assess the adequacy and effectiveness of governance, risk management and internal controls over payroll processes and systems, and to verify the accuracy of payroll calculations following the implementation of the revised UN Common System Compensation Package. The Director, IOD, briefed the Committee on recommendations and replied to a series of questions raised on the main audit findings and recommendations relating to the audit process which are set forth below:

- (a) The Human Capital Management and Payroll solutions had been integrated in WIPO's Enterprise Resources Planning (ERP);
- (b) Changes to the revised UN Common System Compensation Package had been accurately integrated in the payroll;
- (c) Internal controls over payroll processes and systems are generally adequate and effective.

10. The Director, IOD, briefed the Committee that, there are opportunities for improvement to further enhance efficiency and effectiveness of the payroll processes. Regarding the payroll operational processes, certain control activities and manual processes put in place for providing assurance were found to be redundant, hence the overall payroll process was not fully benefiting from efficient control functionalities already available in the Administrative and Integrated Management System's Human Resource tool (AIMS HR).

11. Further customization and automation of certain operational processes could help enhance key controls and address some systemic issues; and compliance and alignment of operational processes with respective rules, regulations and Office Instructions would further increase efficiency and effectiveness of the payroll process.

12. The report has three recommendations: one with "High" priority and two with "Medium" priority. Management accepted all recommendations.

13. The Committee took the opportunity to discuss the basis on which recommendations contained in the internal audit reports were categorized as being of High, Medium or Low priority. The Committee requested the Director, IOD, to prepare a comprehensive presentation to the Committee in its next session on the criteria and procedures followed in such categorization.

14. The Committee noted that since its last session, the IOD had published all its new reports on the WIPO website.

Evaluation Report

15. The Committee was presented with the Evaluation Report on Program 12 (International Classifications and Standards), and noted that the report contained seven recommendations (with closing criteria), all of which had been accepted by Management.

16. The Committee noted with interest the evaluation suggestions for enhancing features and functionalities of digital platforms and IT tools, especially for other classifications and surveys.

The Committee welcomed the report suggestion for the Program to develop and adopt gender-sensitive indicators so as to measure advances in achieving gender equality and women's empowerment.

Investigations

17. The Committee was apprised of the status of cases under review and, subsequently, provided advice to the Director, IOD, as stipulated under the Terms of the Internal Oversight Charter.

18. The Committee noted that as of May 31, 2017, there were sixteen open investigation cases with IOD. The Committee reviewed the details of each case and engaged thereafter in a discussion with the Director, IOD, and the Head, Investigation Section.

Other matters

19. The Committee reviewed the IOD's draft Annual Report and provided its feedback and comments to the Director, IOD. The Committee considers the implementation of the Audit Workplan as satisfactory and notes that this is achieved while there was a leadership change within IOD, with the arrival of the Director, IOD.

AGENDA ITEM 5: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

20. As it continued to review the status of implementation of oversight recommendations, the Committee noted that since its last session, 41 recommendations had been added (11 of which were from IOD and 30 from the External Auditor), and 12 recommendations had been closed (9 from IOD and 3 from the External Auditor.) At the time of preparing the session report, the total number of open recommendations was 193.

21. The Committee encouraged the Director, IOD, to present the recommendations and related information (including closing criteria) in a uniform manner with color coding for all future oversight reports.

22. The Committee was informed by Management that the review of implementation status by the External Auditor was conducted intermittently. As such, the implementation status of recommendations from External Auditor might not always be updated at the IAOC's quarterly meetings.

AGENDA ITEM 6: FINANCIAL REPORT AND FINANCIAL STATEMENTS 2016

23. During the session, the Committee was provided with the audited Financial Statements for the financial year ended December 31, 2016, and discussed with Management the financial position and the financial performance.

24. With regard to the financial performance, the revenue totaled Swiss francs 387.7 million, compared to 381.9 million in 2015. Expenses totaled 355.7 million, compared to 348.7 million in 2015. WIPO registered a surplus of 32.0 million in 2016, compared to 33.3 million in 2015.

25. The most significant source of income was the PCT system fees at 290.7 million (275.4 million in 2015), 75 per cent of the Organization's total revenue. The most significant expense was personnel expenditure at 224.4 million (216.3 million in 2015), 63 per cent of total expenses.

26. With regard to the financial position, total assets at December 31, 2016, amounted to Swiss francs 1,027.2 million, while total liabilities amounted to 715.9 million. Net assets were

311.3 million, a further increase from 2015 (279.1 million). The most significant assets were cash and cash equivalents at 529.8 million (489.5 million in 2015), land and buildings at 375.5 million (380.5 million in 2015). The most significant liabilities were advance receipts at 273.7 million (253.6 million in 2015) and employee benefits at 188.4 million (171.5 million in 2015).

AGENDA ITEM 7: EXTERNAL AUDIT

27. The Committee held a video conference with the External Auditor during the session, and discussed several issues including audit report, Key Audit Matters, and workplan for the year 2017-2018.

28. The Committee was pleased to learn that an unqualified opinion had been provided on the Financial Statements for the year 2016.

Key Audit Matters

29. At its 44th session, the Committee discussed the potential impacts of a new auditing standard regarding the disclosure of Key Audit Matters, and encouraged the External Auditor to disclose these matters on a pilot basis and to include the Key Audit Matters in the Short Form Report.

30. The Committee understood that the final decision whether or not Key Audit Matters would be included in the Short Form Report, rests with the External Auditor.

31. During the video conference, the External Auditor informed the Committee that a final decision on the issue had not yet been made, and they would seek input from Member States.

Workplan

32. The Committee was informed that based on their risk assessment, the External Auditor identified the Madrid System for performance audit and the Premises and Maintenance under Program 24 (General Support Services) for compliance audit for year 2017-2018.

33. The Committee noted with satisfaction that there is no overlap between the IOD workplan and the workplan of the External Auditor and welcomed the initiative to audit Premises and Maintenance after all major construction projects have been completed.

AGENDA ITEM 8: FOLLOW-UP ON GENERAL ASSEMBLY REQUEST (A/56/16. PARAGRAPH 22 (ii))

34. The Committee reviewed and agreed on its draft Report to the Coordination Committee (document WW/CC/74/7), recommending appropriate modalities and procedures, including any necessary proposed amendments to the Staff Regulations and Rules of WIPO, pursuant to the revision of the Internal Oversight Charter. The draft report will now be shared with Member States for consultation.

35. The Committee also made recommendations to the Director General concerning certain aspects of the disciplinary process contained in the Staff Regulations and Rules of WIPO.

AGENDA ITEM 9: ETHICS

Ethics

36. At its 44th session, the Director, IOD, briefed the Committee on the findings and recommendations relating to the Audit of WIPO's Ethical Framework which was published in its original version on April 6, 2017.
37. At that session, the Committee had considered the timelines for the implementation of the audit recommendations to be quite generous, particularly for those recommendations of high priority, and had urged the Chief Ethics Officer to revisit the target dates and be more ambitious in implementing the audit recommendations.
38. At its 45th session, the Committee engaged in a discussion with the Chief Ethics Officer on what progress had been made with respect to the implementation deadlines set for the twelve audit recommendations in the report.
39. The Committee noted with concern that despite its recommendations, the Chief Ethics Officer had not changed the targeted implementation dates.
40. The Committee viewed implementation of the audit recommendations as a matter of high priority. Therefore it urged the Chief Ethics Officer to reconsider the deadlines and to present, at its next session, a detailed implementation plan for the execution of the recommendations. This would enable the Committee to ascertain that there was a structured approach to implementing the audit recommendations and to continuously monitor the progress of implementation.
41. The Committee also discussed with the Chief Ethics Officer the draft policy on Protection against Retaliation which she had prepared in consultation with the Legal Counsel. The Committee will resume discussion on the draft policy at its next session.

AGENDA ITEM 10: IAOC ANNUAL REPORT 2016

42. The IAOC prepared and adopted its Annual Report to the Program and Budget Committee (PBC 27) which provides an overview of its activities during the period July 1, 2016 to July 6, 2017.

AGENDA ITEM 11: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

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

AGENDA ITEM 12: OTHER MATTERS

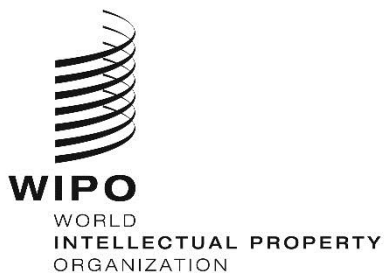
Next Session

44. The IAOC's next session will take place from Tuesday, October 17 to Friday, October 20, 2017. The draft Agenda for that session is as follows:

- (1) Adoption of the Agenda
- (2) Matters arising from previous Session
- (3) Meeting with the Director General

- (4) Internal Oversight
- (5) Follow-up on Oversight Recommendations
- (6) Update on ERM and Internal Control Framework
- (7) Safety and Security
- (8) Briefing on Copyright and Creative Industries Sector
- (9) Briefing on Patents and Technology Sector
- (10) Ethics
- (11) Ombudsperson
- (12) Information Meeting with Member States' Representatives
- (13) Other Matters

[Annexes follow]



WO/IAOC/45/1
ORIGINAL: ENGLISH
DATE: AUGUST 23, 2017

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Forty-Fifth Session
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AGENDA

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1. Adoption of the Agenda
2. Matters arising from previous Session
3. Meeting with the Director General
4. Internal Oversight
5. Follow-up on Oversight Recommendations
6. Financial Report and Financial Statements 2016
7. External Audit
8. Follow-up on General Assembly Request (A/56/16. paragraph 22 (ii))
9. Ethics
10. IAOC Annual Report 2016
11. Information Meeting with Member States' Representatives
12. Other Matters

[Annex II follows]



WO/IAOC/45/INF/1
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WIPO Independent Advisory Oversight Committee

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LIST OF DOCUMENTS

adopted by the WIPO Independent Advisory Oversight Committee

ITEM 1: ADOPTION OF THE AGENDA

- [01] Agenda
- [02] Timetable
- [03] List of Documents
- [04] IAOC Rolling Agenda, 44th to 49th sessions

ITEM 2: MATTERS ARISING FROM PREVIOUS SESSION

- [05] IAOC Action List

ITEM 3: MEETING WITH THE DIRECTOR GENERAL

No document: Oral account.

ITEM 4: INTERNAL OVERSIGHT

Internal Oversight Division:

- [06] Internal Oversight Division (IOD) Activity Report – up to May 31, 2017
June 14, 2017 (Reference: IOD-IAOC-2017/02)
- [06^{bis}] Internal Oversight Division (IOD) Activity Report – Addendum,
June 26, 2017 (Reference: IOD-IAOC-2017/02)
- [07] Internal Oversight Division Dashboard (January – June 2017)
- [08] Internal Oversight Division (IOD) Draft Annual Report, up to May 31, 2017
(Reference: WO/GA/49/3)

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Internal Audit:

- [09] IOD Report: Audit of Madrid Registry, May 11, 2017
(Reference: IA 2016-03)
- [10] IOD Report: Audit of Payroll, May 23, 2017
(Reference: IA 2017-01)

Evaluation:

- [11] Final Report – Evaluation of Program 12 (International Classification and Standards), June 27, 2017 (Reference EVAL 2017-02)

ITEM 5: FOLLOW-UP ON OVERSIGHT RECOMMENDATIONS

- [12] Open Oversight Recommendations as at May 31, 2017 (June 7, 2017)

ITEM 6: FINANCIAL REPORT AND FINANCIAL STATEMENTS 2016

- [13] WIPO Annual Financial Report and Financial Statements 2016

ITEM 7: EXTERNAL AUDIT

- [14] Report of the External Auditor - WIPO 2016

ITEM 8: FOLLOW-UP ON GENERAL ASSEMBLY REQUEST (A/56/16. paragraph 22 (ii))

- [15] Draft Report to the Coordination Committee (document A/56/16) –
March 30, 2017

ITEM 9: ETHICS

- [16] Draft Report of the Revised Policy on Protection against Retaliation
(June 26, 2017)

ITEM 10: IAOC ANNUAL REPORT 2016

- [18] Draft IAOC Annual Report (Reference: WO/GA/49/2)

ITEM 11: INFORMATION MEETING WITH MEMBER STATES' REPRESENTATIVES

No document: Oral account.

ITEM 12: OTHER MATTERS

- [19] Report – Forty-Fourth Session (WO/IAOC/44/2)

[End of Annex II and of document]