

WIPO Independent Advisory Oversight Committee

Fifty-Sixth Session
Geneva (Virtual), April 22 to 23, 2020

REPORT

adopted by the WIPO Independent Advisory Oversight Committee

INTRODUCTION,

1. Due to the COVID-19 pandemic, the 56th session of the WIPO Independent Advisory Oversight Committee (IAOC) took place virtually on April 22 and 23, 2020. Present were Mr. Mukesh Arya (Chair), Ms. Tatiana Vasileva (Vice-Chair), Ms. Maria Vicien-Milburn, Messrs. Bert Keuppens, Igors Ludboržs and Zhang Long. Mr. Othman Sharif was unable to participate and sent apologies for his absence.

AGENDA ITEM 1: ADOPTION OF THE AGENDA

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

AGENDA ITEM 2: CONFLICT OF INTEREST DECLARATION

3. Members present were asked to disclose any actual or potential conflict of interest. No conflict of interest was reported.

AGENDA ITEM 3: INTERNAL OVERSIGHT

IOD Oversight Annual Workplan 2020

4. The Committee, together with the Director, Internal Oversight Division (IOD), reviewed the final 2020 Oversight Annual Workplan and noted that the plan included, *inter alia*, four internal audits, four evaluation activities, validation of WIPO Performance Report for the 2018/19 biennium, one evaluation advisory and one combined audit and integrity review. Noting that IOD's workplan is risk-based, the Committee enquired as to how IOD intended to implement the workplan in view of the COVID-19 pandemic. The Director, IOD, explained the risk assessment methodology to formulate the Annual Workplan and that IOD had done a risk review to identify and address emerging risks resulting from the impact of the COVID-19 pandemic on safety, security, information assurance, third parties engagements, human resources, revenues, and work practices among others. This exercise would also serve to identify areas where IOD could conduct advisory services to support Management. The Director, IOD further explained that since all WIPO functions are Geneva-based, and all audits and evaluations are headquarters-based, the COVID-19 situation might not have a significant impact except for some delays to the engagements which are co-sourced or outsourced with consultants. The Director, IOD assured the Committee that necessary adjustments would be made to the plan based on IOD's discussions with Management. The Committee was satisfied with the proposed actions being taken by IOD to make adjustments to the 2020 Oversight Annual Workplan as necessary.

5. While noting that the quality assessment was performed on the evaluation function in 2019, the Committee requested to be apprised about the results of the external quality assessments of IOD's other functions, i.e., internal audit and investigations, as and when completed in 2020. The Committee also referred to the oversight universe of IOD that had been subjected to a detailed risk assessment and commented on the possibility of having a multi-year workplan, instead of an annual or a biennial plan. The Director, IOD explained that a 2-year planning cycle has worked well with past experience in WIPO and that this was also the practice in many other UN organizations.

IOD Activity Report

6. The Committee also discussed with the Director, IOD the Activity Report for the first quarter of 2020. The Committee was informed that during the period two audit reports on Financial Closure Process and Staff Benefits and Entitlements (combined audit and integrity review) and two evaluation reports on Evaluation of the Lisbon System and Enforcement and

Effects on Building Respect for IP were issued. The Committee decided to examine these reports in its subsequent meeting.

7. The Committee took note of the 130 outstanding audit recommendations, particularly the very old ones of more than five years and asked about the continued validity and relevance of those recommendations, 38 per cent of which were of high priority. The Committee also noted that during the reporting period, 30 recommendations had been closed and that overdue recommendations had increased from 48 to 54. The Director, IOD explained that IOD conducts periodic reviews of outstanding recommendations with the relevant Program Managers and then either modifies the priority or closes the recommendation based on verification of status updates. Some recommendations are closed due to updating with a new audit or having been taken over by events. He mentioned that most of the old recommendations were still valid as these needed closure actions which have yet to be completed. The Committee wanted to be apprised again of the criteria for closing recommendations.

Investigations

8. The Committee was briefed on the status of investigation cases. Since its last session, 16 new cases were opened and 10 cases were closed after a preliminary evaluation. There was no instance where allegations were substantiated. As of March 31, 2020, there were 12 pending investigation cases, of which one was under preliminary evaluation, one under full investigation and 10 cases on hold. The Committee noted that of the 12 pending cases, one was registered in 2016, seven in 2019 and four in 2020.

9. The Committee deliberated on a number of pending cases and provided advice.

AGENDA ITEM 4: FINANCIAL REPORTING – DRAFT FINANCIAL STATEMENTS 2019

10. As this was the first meeting with two new members, the Management Team presented an overview on WIPO Accountability Framework, Results-based Planning, Performance and Risk Management, Performance Cycle, Monitoring, Oversight and Response Mechanism, Controller's Department, Financial Division and Statements of Financial Performance and Financial Position. The Committee appreciated the briefing provided to the new members.

11. The Committee reviewed with Management the draft Financial Statements for 2019. Overall, the Committee found the draft Financial Statements to be very clear, with good analysis and detailed notes. The Committee noted that WIPO's financial position of 2019 was better than 2018, based on its better Financial Performance in 2019. The draft Statement of Financial Position showed that, as at December 31, 2019, WIPO had net assets of Swiss francs 364.2 million, with total assets of Swiss francs 1,225.9 million and total liabilities of Swiss francs 861.7 million. During the 2018/19 Biennium, the WIPO's net assets increased by Swiss francs 161.5 million. The Committee noted that this was mainly due to the surplus in both 2018 and 2019, totaling Swiss francs 140.2 million, as follows: the draft Statement of Financial Performance for 2019 showed that there was a surplus for the year of Swiss francs 97.7 million, with total revenue of Swiss francs 457.0 million, total expenses of Swiss francs 401.4 million, and investment gains of Swiss francs 42.1 million; and the year 2018 had shown a surplus of Swiss francs 42.5 million, with total revenue of Swiss francs 433.6 million, total expenses of Swiss francs 375.8 million, and investment losses of Swiss francs 15.3 million.

12. With regard to the impact of the COVID-19 pandemic, the Committee enquired if it involved any changes in the investment policy and/or had an impact on WIPO's financial management. Management assured the Committee that they were closely tracking the financial situation as WIPO would obviously be impacted by the pandemic. Management informed the Committee that there had been no decline in incoming cash so far. Management assured the Committee that WIPO's investment policy and long-term strategy had been designed to

withstand difficult periods, such as the ongoing crisis due to the pandemic. As such, they were continuing to make investments in accordance with the same investment policy and strategy.

13. The Committee was pleased to hear that discussions were ongoing with the External Auditor, particularly with regard to IPSAS 14 (Events after the Reporting Date), as this was relevant to the impact or lack of impact of COVID-19 on the Financial Statements of 2019. The Committee looks forward to receiving a final draft of the Financial Statements. Management informed the Committee that the long form audit report would likely be available by end of May or early June for presentation to the Program and Budget Committee in September.

AGENDA ITEM 5: EXTERNAL AUDIT – UPDATE ON FINANCIAL AND PERFORMANCE AUDITS

14. The Committee discussed with the representative of the External Auditor and with the Controller and the Director, Finance Division, the status of the External Audit. While the bulk of the audit was complete, a number of small final issues were in discussion with Management at the time of the session. Nonetheless, the External Auditor indicated that, as there were no material adjustments, an unqualified opinion was anticipated. The External Auditor emphasized that the Financial Statements were of good quality. With regard to the effect of the COVID-19 pandemic, appropriate disclosures in accordance with IPSAS 14 would have to be made by Management and, in the Auditor's view, this type of subsequent event would not require adjustment to the Financial Statements, but would require disclosure.

15. The Committee noted that the Audit Completion Report was under discussion with Management and would be considered by the Committee when final matters were resolved with Management. The Committee also took note of the External Auditor's comments that while the COVID-19 pandemic had high potential impact, the Financial Statements indicated that WIPO had a sound and stable financial position given its expected revenues and reserves. The External Auditor added that WIPO was very well placed compared to other Organizations in the UN system to weather the financial uncertainty.

16. In accordance with its Terms of Reference, the Committee held a private session with the External Auditor.

AGENDA ITEM 6: OTHER MATTERS

Orientation Briefings for the new Members

17. Due to time constraints of the 56th session, comprehensive orientation briefings on the Organization could not be held for the new members. The Chair informed the Committee that, nevertheless, a modified orientation briefing on oversight-related matters took place via video conference on April 2, 2020, in collaboration with IOD. Some of the continuing members also participated in the session. As the session progressed, the Management Team also presented a finance-related briefing during the relevant agenda item.

Performance Appraisals

18. In accordance with its Terms of Reference, the outgoing Chairperson would complete the performance appraisal reports of the Director, IOD and of the Chief Ethics Officer for the year ended December 31, 2019.

IAOC Rolling Agenda and Portfolio Distribution

19. As the next meeting will most likely take place virtually due to the prevailing COVID-19 pandemic, the Committee revisited its Rolling Agenda for 2020 and redistributed the areas of responsibility to involve the two new members.

WIPO Investment Reports

20. Management submitted to the Committee the Investment Performance Reports and the Investment Monitoring Reports for November and December 2019, and January, February and March 2020, prepared by the Investment Advisors and the Custodian, respectively.

21. The Committee reviewed the documents received and confirmed that the information provided shows that, during the period of review, and based on the investment market benchmark, all the vehicles in WIPO's investment portfolio delivered the expected results and were managed in accordance with the stated investment strategy. In addition, the Committee confirmed that the Custodian did not report any breaches, active or passive, or justified exceptions. As stated above under Agenda Item 4, despite the COVID-19 pandemic, no changes have been made so far in the investment policy.

Ethics

22. As the final Ethics Office Workplan 2020 and Implementation Table were transmitted a day before the 56th session, the Committee agreed to review these offline and to request responses to their queries from the Chief Ethics Officer.

Briefing with the Chairs of the WIPO General Assembly and of the Coordination Committee

23. The Chair and Vice Chair informed the Committee that a virtual introductory meeting was held with the Chairs of the WIPO General Assembly and of the Coordination Committee. The discussions related to some of the issues that required consultations.

Information Meeting with Member States

24. As the 56th session was conducted via video conferencing due to the COVID-19 pandemic, an information meeting with the Member States' representatives was not scheduled at the conclusion of the session.

Next Session

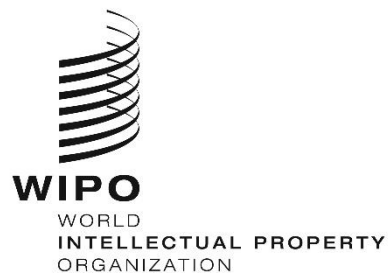
25. In view of the limited time available for video conferencing involving different time zones for members of the Committee, the IAOC discussed a new format of working offline. Accordingly, some of the more voluminous documents could be reviewed by the Committee prior to the video conference. The review comments could then be consolidated and forwarded to Management for offline responses. Additional questions and further clarifications, if any, could be taken up in the online video session.

26. The IAOC's next session will take place from Monday, June 29 to Friday, July 3, 2020. The draft Agenda for that session is as follows:

- (1) Adoption of the Agenda
- (2) Conflict of Interest Declaration
- (3) Matters arising from previous Session

- (4) Internal Oversight, including IOD Annual Report
- (5) Follow-up on Oversight Recommendations, including Joint Inspection Unit Recommendations
- (6) Joint Inspection Unit Review of the Audit/Oversight Committees in the UN system
- (7) Financial Reporting: Annual Financial Report and Financial Statements 2019
- (8) External Audit: Report of the External Auditor
- (9) Update on Risk Management and Internal Control Framework
- (10) Ethics: Annual Work Plan, Progress Report
- (11) Other Matters

[Annexes follow]



WO/IAOC/56/1
ORIGINAL: ENGLISH
DATE: MAY 27, 2020

WIPO Independent Advisory Oversight Committee

Fifty-Sixth Session
Geneva (Virtual), April 22 to 23, 2020

AGENDA

prepared by the WIPO Independent Advisory Oversight Committee

1. Adoption of the Agenda
2. Statement of Disclosure of Interest and Technical Matters
3. Internal Oversight (including Proposed Workplan 2020)
4. Financial Reporting: Draft Financial Statements 2019
5. External Audit: Update on Financial and Performance Audits
6. Other Matters

[Annex II follows]



WO/IAOC/56/INF/1
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Fifty-Sixth Session
Geneva (Virtual), April 22 to 23, 2020

LIST OF DOCUMENTS

ITEM 1: ADOPTION OF THE AGENDA

- [01] Agenda
- [02] Timetable
- [03] List of Documents

ITEM 2: STATEMENT OF DISCLOSURE OF INTEREST AND TECHNICAL MATTERS

- [04] Office Instruction N° 36/2017 Rev. "WIPO Policy on Financial Disclosure and Declaration of Interests" – July 19, 2019

ITEM 3: INTERNAL OVERSIGHT (INCLUDING PROPOSED WORKPLAN 2020)

Internal Oversight Division:

- [05] IOD Activity Report – April 6, 2020 (Reference: IOD-IAOC-2020/01)
- [06] Internal Oversight Division (IOD) – 2020 Oversight Annual Workplan (Reference: IOD/WP/2020/1) January 22, 2020
- [07] Periodic Self-Assessment of the Internal Audit Function 2017-2018, January 24, 2020

Investigation:

ITEM 4: FINANCIAL REPORTING – DRAFT FINANCIAL STATEMENTS 2019

- [08] Draft version, as at March 23, 2020, of the Financial Statements for the year ended December 31, 2019, together with the Statement on Internal Control for 2019 and the WIPO Summary Statement of Losses and Write-Offs (transmitted March 31, 2020)

ITEM 5: EXTERNAL AUDIT: UPDATE ON FINANCIAL AND PERFORMANCE AUDITS

Oral briefing on the 2019 Interim Audit Outcomes

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ITEM 6: OTHER MATTERS

[09] Report – Fifty-Fifth Session (WO/IAOC/55/2)

[10] IAOC Rolling Agenda, 56th to 59th Sessions

Investment Reports:

[11] Credit Suisse – Investment Monitoring Reports for November and December 2019, and January, February and March 2020

[12] MBS Capital Advice – Investment Performance Reports for November and December 2019, and January, February and March 2020

[End of Annex II and of document]