

Program and Budget Committee

Nineteenth Session **Geneva, September 10 to 14, 2012**

REPORT BY THE CHAIR OF THE WIPO GENERAL ASSEMBLY TO THE 19TH SESSION OF THE PROGRAM AND BUDGET COMMITTEE ON AGENDA ITEM 5 (GOVERNANCE AT WIPO)

prepared by the Chair of the General Assembly

1. Following the request of the 18th session of the WIPO Program and Budget Committee (PBC), I convened, on August 29, 2012, a meeting with Regional Coordinators and three delegates from each Region on the issue of governance at WIPO as per the Report of the Independent Advisory Oversight Committee (IAOC) on "Governance at WIPO" of June 12, 2012 (attached). All seven members of the IAOC were present in the meeting.
2. After an oral presentation by the Chair of the IAOC, with the accent placed on the main points of the above mentioned IAOC Report, an active exchange of views took place.
3. The IAOC Report was welcomed. Differing opinions were expressed regarding the two recommendations of the IAOC Report, and in particular on the need to undertake a detailed study on governance at WIPO. However, a consensual opinion was that performances, efficiency and coordination of the existing governing structures are to be enhanced, which, in turn, primarily rests on the commitments and actions the Member States themselves, and the management of various governing bodies and subsidiary organs.
4. The PBC may wish to invite the Member States to explore the ways and means to promote performances, efficiency and coordination of the WIPO governing structures in view of the already available analyses and documents, including the above mentioned IAOC Report and related Member States' opinions.

5. *The Program and Budget Committee is invited to take note of this report and decide on any further action on this matter.*

[Annex follows]



ORIGINAL: ENGLISH
DATE: JUNE 12, 2012

GOVERNANCE AT WIPO

Report prepared by the WIPO Independent Advisory Oversight Committee

1. At its 18th session, the Program and Budget Committee (PBC):
 - “(i) took note of the information contained in document WO/PBC/18/20;
 - (ii) requested the Independent Advisory Oversight Committee (IAOC) to review the issue of WIPO governance in light of relevant documents and proposals submitted by Member States, including, but not limited to, documents WO/PBC/18/20 and WO/GA/38/2, with a view to presenting a report with its recommendations to Member States as quickly as possible. The Chair of the PBC will, immediately following this session, contact the Chair of the IAOC to determine an appropriate timeline;
 - (iii) requested the Chair of the General Assembly to convene informal consultations with Regional Coordinators and three delegates from each Region on the produced IAOC report on WIPO governance with a view to presenting specific recommendations to the 19th session of the PBC; and
 - (iv) decided that the issue of WIPO governance would be an agenda item for the 19th session of the PBC.”¹
2. The IAOC introduced an item on WIPO Governance at its 23rd (November 2011), 24th (March 2012) and 25th (May 2012) sessions to discuss the specific request of the PBC.
3. In dealing with this topic, the IAOC reviewed documents WO/PBC/18/20 (*WIPO Governance Structure*) and WO/GA/38/2 (*Report of the Audit Committee since 2008*) as requested by the PBC, as well as other relevant documents.
4. At its 25th session, the IAOC met with the Chair of the PBC and discussed the nature of the proposed report and recommendations on WIPO Governance.

¹ Paragraph 89 of document WO/PBC/18/22

5. Following the meeting with the Chair of PBC, the Committee discussed the matter of the specific request on WIPO Governance further and now makes the following two recommendations:

(i) That Member States approve revisions proposed by the IAOC to the Annexes of the WIPO Financial Regulations and Rules relating to the IAOC, the External Auditor and the Internal Oversight Charter, which will be formally submitted to the Program and Budget Committee at its nineteenth session.

(ii) That any recommendation for an additional governing body be made only on the basis of a detailed study involving sensitive issues relating to the diplomatic and intergovernmental aspects of the higher level governance of WIPO. This detailed study will require the contracting of additional specific subject matter expertise. The Committee therefore recommends that Member States also consider the desirability of the expense that this would entail.

In the following paragraphs the Committee sets out its rationale for these two recommendations.

BACKGROUND

6. Document WO/GA/38/2 "Report of the WIPO Audit Committee since 2008" states:

"73. The WIPO AC is an advisory oversight mechanism for Member States. The interaction between the Audit Committee and Member States has been sporadic and not synchronized with the PBC, which meets once per year. In other UN organizations, there is a smaller and more functional layer of governing body that meets more frequently to interact with oversight bodies, and act upon their reports.

74. It is recommended that Member States consider the establishment, within WIPO, of a new more functional governing body meeting more frequently than the PBC, with a possible membership of twelve to sixteen."

7. In that Report, the IAOC (formerly known as the WIPO Audit Committee) raised concerns about the seemingly inadequate consideration of and inaction on its recommendations by the PBC and Member States. It concluded that this was a result of inadequate time that PBC allocated for its meetings, meetings which were undertaken over a period of only two days at a time. Invariably, issues raised by the IAOC did not appear to be given the sufficient consideration that they warranted. In addition, the IAOC pointed out that two key governance bodies at WIPO, the WIPO Coordination Committee and the PBC rarely met together to take decisions. This prompted the IAOC to recommend the setting up of an Executive Body that would make decisions based on the recommendations contained in the IAOC reports.

DEVELOPMENTS SINCE DOCUMENT WO/GA/38/2 PRESENTATION

8. At its 39th session (September 2010), the WIPO General Assembly agreed that:²

“As per the agreement reached at the first session of the Working Group (see above), Member States would be invited officially by the WIPO Secretariat to attend an **‘information session’ with the new Audit Committee**, preferably for a full day, within the given timeframe for each meeting of the Committee. These information sessions would also facilitate discussions on the Audit Committee’s recommendations.”
9. As of the IAOC’s nineteenth session in November/December 2011, Information Sessions for Member States have been held after each of the IAOC’s quarterly sessions.
10. In addition, the IAOC has met with the Director General and members of the Senior Management Team at each of its quarterly sessions and will continue to do so.
11. With respect to follow-up on oversight recommendations, following its 20th session and pursuant to a recommendation at its 19th session,³ the IAOC reviewed the outstanding recommendations using a risk-based approach, ranking all recommendations according to a likelihood and impact matrix. At the IAOC’s request, the Internal Audit and Oversight Division (IAOD) undertook a verification of the implementation of the recommendations ranked as being of high risk and presented a report at the IAOC’s 22nd session.
12. As a result of this process, which is risk based, out of 307 outstanding recommendations taken over by the new membership at its first meeting in March 2011, 96 were ranked by the IAOC as being of high risk and of these 96, IAOD verified that 52 had been implemented. It is expected that such reviews will continue to be carried out by IAOD and the results will be reported to IAOC, leading to a situation where recommendations are closed regularly with formal risk acceptance by the Director General where appropriate.
13. The IAOC also observed that responsibility for taking action on recommendations belongs to Program Managers, and ultimately to the Director General. Internal audit standards also require that implementation of oversight recommendations should be subject to independent validation.⁴ The IAOC’s role is to monitor the timely, effective and appropriate responses from management and the implementation of audit recommendations, and to report to the PBC.

IMPROVING THE OVERSIGHT ARCHITECTURE OF WIPO

14. Good governance has many components that may have implications at different levels. Oversight is a key aspect of overall governance in ensuring that the human, financial and other resources made available by Member States are used effectively and efficiently.
15. The Committee believes that a key area for action is improving coordination and strengthening of the oversight architecture (Internal Audit and Oversight, External Audit and the IAOC) at WIPO. The Committee further believes that inadequacy in this area has been the root cause for most of the governance recommendations issued by the former membership.

² WO/GA/39/13, paragraph 10

³ WO/IAOC/19/2 Rev., paragraph 71(g)

⁴ WO/IAOC/21/2, paragraph 23

16. Of priority is a clearer articulation and establishment of IAOC functional relationships, including the triangular relationship between the IAOC and the external and internal audit functions. To this end, and in line with a recommendation made at the Committee's 19th session to the PBC for "a coordinated and independent review of the Internal Audit Charter and of the Terms of Reference of the External Auditor and of the IAOC", the Committee proposed at its 21st session revisions to Annexes of WIPO's Financial Regulations and Rules (FRR), namely: Annex I "WIPO Internal Oversight Charter"; Annex II "Terms of Reference Governing External Audit"; and, Annex III "Terms of Reference of the WIPO Independent Advisory Oversight Committee".

17. Another key aspect of good governance is ongoing interaction between top management and the oversight entities. Top management at WIPO has responded positively to the IAOC's requests for information sessions to discuss issues arising from different aspects of WIPO's work. These interactions have also provided an opportunity for IAOC to offer advice to top management where appropriate. Such advice is well-received and appreciated. The Director General has met the IAOC at each of its quarterly sessions and has briefed the Committee on substantive issues.

18. In view of the foregoing, the Committee believes that with the additional improvements to WIPO's oversight architecture in line with the recent developments and the required revisions referred to in paragraph 16 above, the oversight aspect of governance would not require the creation of an additional governance structure.

STRUCTURE AND MEMBERSHIP OF GOVERNING BODIES AT WIPO

19. The IAOC took note of the contents of relevant documentation, particularly document WO/PBC/18/20 "WIPO Governance Structure" prepared by the Chairpersons of the Coordination Committee and the Program and Budget Committee.

20. The Committee noted that it would be necessary to undertake a comprehensive analysis of the possible structures and membership of governing bodies, as contained in relevant documents, and including but not limited to documents WO/GA/38/2 and WO/PBC/18/20.

21. The IAOC believes that such an exercise would be long and complex and that additional resources and expertise would be required, including that necessary for analysis of the UN system structures and higher level management, legal aspects of international treaties governing the United Nations in general and WIPO in particular, as well as knowledge of the diplomatic practices and procedures involved.

22. The IAOC would therefore recommend that the PBC takes into consideration matters highlighted above in making its decision on the desirability and feasibility of the IAOC undertaking such a detailed study on the necessity of an additional governance structure within the current governance architecture at WIPO.

[End Annex and of document]