



C/38/4

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INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
GENEVA

COUNCIL

Thirty-Eighth ordinary session
Geneva, October 21, 2004

FINANCIAL SITUATION OF THE INTERNATIONAL UNION
FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
AS AT DECEMBER 31, 2003

Memorandum by the Secretary-General

SUMMARY

This document sets out the finances of the Union as at December 31, 2003, and reproduces the Auditor's Report on the accounts for the 2002-2003 financial period.

1. Financial results for the 2002-2003 biennium

The financial results for the 2002-2003 biennium are as follows:

	<u>Francs*</u>
Income	6 035 361
Expenditure	<u>7 125 378</u>
Deficit	<u>(1 090 017)</u>

In accordance with Article 5 of the UPOV Financial Regulations, the deficit of 1,090,017 francs was covered by a withdrawal from the Reserve Fund.

2. Working Capital Fund

Under Article 8 of its Financial Regulations, UPOV has a Working Capital Fund. According to the balance sheet as at December 31, 2003 (Annex A.2 of this document), the Working Capital Fund stands at 448,755 francs. The share of each State, calculated in accordance with the decisions taken by the Council at its sessions in November 1972 (document UPOV/C/VI/12, paragraph 57) and October 1992 (document C/26/15, paragraph 14) is as follows:

Argentina	4 167	Latvia	1 667
Australia	8 333	Mexico	6 250
Austria	12 500	Netherlands	24 999
Belgium	8 333	New Zealand	8 333
Bolivia	1 667	Nicaragua	1 667
Brazil	2 083	Norway	8 333
Bulgaria	1 667	Panama	1 667
Canada	8 333	Paraguay	1 667
Chile	1 667	Poland	4 167
China	4 167	Portugal	4 167
Colombia	1 667	Republic of Korea	6 250
Croatia	1 667	Republic of Moldova	1 667
Czech Republic	4 167	Romania	1 667
Denmark	8 333	Russian Federation	4 167
Ecuador	1 667	Slovakia	4 167
Estonia	1 667	Slovenia	1 667
Finland	8 333	South Africa	8 333
France	41 667	Spain	8 333
Germany	41 667	Sweden	8 333
Hungary	4 167	Switzerland	8 333
Ireland	8 333	Trinidad and Tobago	1 667
Israel	4 167	Ukraine	4 167
Italy	16 666	United Kingdom	41 667
Japan	41 667	United States of America	41 667
Kenya	1 667	Uruguay	<u>1 667</u>
Kyrgyzstan	1 667		
		Total :	<u>448 755</u>

* The word "francs" signifies Swiss francs and the amounts stated in this document have been rounded to the nearest franc (document C/XII/15, paragraph 8).

3. Basis of contributions

The amount of the annual contribution of each member State is calculated on the basis of the number of contribution units applied to it (Article 26 of the 1961/1972 and 1978 Acts and Article 29 of the 1991 Act of the Convention). The calculation of the contributions for 2002 and 2003 was based on the following number of units (in this regard, see the 2002-2003 budget (documents C/35/4 and C/35/13)):

5	units for France
5	units for Germany
5	units for Japan
5	units for the United Kingdom (for 2002)
5	units for the United States of America
3	units for the Netherlands
2	units for Italy
2	units for the United Kingdom (for 2003)
1.5	units for Austria
1.5	units for Belgium
1.5	units for Denmark
1.5	units for Spain
1.5	units for Sweden
1.5	units for Switzerland
1	unit for Australia
1	unit for Canada
1	unit for Finland
1	unit for Ireland
1	unit for New Zealand
1	unit for Norway
1	unit for South Africa
0.75	units for Mexico
0.75	units for the Republic of Korea (for 2003)
0,5	units for Argentina
0,5	units for China
0,5	units for the Czech Republic
0,5	units for Hungary
0,5	units for Israel
0,5	units for Poland
0,5	units for Portugal
0,5	units for the Russian Federation
0,5	units for Slovakia
0,5	units for Ukraine
0,25	units for Brazil
0,2	units for Bolivia
0,2	units for Bulgaria
0,2	units for Chile
0,2	units for Colombia
0,2	units for Croatia
0,2	units for Ecuador
0,2	units for Estonia
0,2	units for Kenya
0,2	units for Kyrgyzstan
0,2	units for Latvia (for 2003)
0,2	units for Nicaragua
0,2	units for Panama
0,2	units for Paraguay
0,2	units for the Republic of Moldova
0,2	units for Romania

0,2 units for Slovenia
0,2 units for Trinidad and Tobago
0,2 units for Uruguay

Total : 55.4 units for 49 Member States (for the year 2002)
 53.35 units for 51 Member States (for the year 2003)

4. Summary of main accounting standards

The UPOV financial report for the 2002-2003 biennium was drawn up in accordance with the principles established in the UPOV Convention, in the Administrative and Financial Regulations of UPOV, and pursuant to the United Nations system accounting standards, as defined in the United Nations document A/48/530, dated October 29, 1993.

5. Annexes

Annex A to this document contains:

- A.1 - comparison of the budget, revised budget and accounts for the 2002-2003 financial period, followed by explanatory notes, expenditure by sub-program and a funding plan for the 2002-2003 biennium;
- A.2 - balance sheet as at December 31, 2003;
- A.3 - contributions of Member States;
- A.4 - comparison of income and expenditure for the 2000-2001 and 2002-2003 biennia;
- A.5 - amounts of the contributions due and unpaid working capital as at December 31, 2003;
- A.6 - comparison of balance sheets as at December 31, 2001 and as at December 31, 2003;
- A.7 - extrabudgetary funds;
- A.8 - statement of income and expenditure, and changes in Reserve Fund and Working Capital Fund balances (Comparative table 1);
- A.9 - statement of assets, liabilities, Reserve Fund and Working Capital Fund (Comparative table 2);
- A.10 - statement of cashflow (Comparative table 3);

and, in Annex B, the Auditor's Report.

6. The Council is invited to examine and approve the accounts for the 2002-2003 financial period.

[Annex A follows]

ANNEX A.1

Comparison of the budget, revised budget and accounts for the 2002-2003 financial biennium

		Initial budget	Revised budget	Accounts
Income				
Contributions		6 061 000	5 834 000	5 833 448
Publications		100 000	65 000	66 648
Interest		200 000	88 000	92 648
Other	(i)	50 000	52 000	42 617
Total income		6 411 000	6 039 000	6 035 361
Expenditure				
Staff	(i)	4 618 000	4 366 000	4 306 541
Missions	(ii)	380 000	317 000	286 799
National officials and conference participants	(ii)	100 000	100 000	91 332
Fellowships		20 000	-	-
Conferences		210 000	130 000	123 128
Consultants	(iii)	120 000	257 000	299 811
Publications	(iv)	50 000	58 000	64 932
Other contractual services	(v)	120 000	84 000	106 517
Premises and maintenance	(vi)	250 000	219 000	192 010
Communications and other expenses		1 600 000	1 600 000	1 619 633
Furniture and equipment	(vii)	50 000	21 000	421
Supplies	(vii)	20 000	14 000	34 254
Total expenditure		7 538 000	7 166 000	7 125 378
Results				
Deficit transferred from the Reserve Fund		(1 127 000)	(1 127 000)	(1 090 017)
Overall result		6 411 000	6 039 000	6 035 361

(i) to (vii): see page 2 of Annex A

Explanation of the main variations between the revised budget and the accounts

Income

(i) Other income

The reduction of 9,383 francs is due to the income from the technical assistance from the funds in trust, which was not as large as was foreseen. This discrepancy has, however, been partially compensated by interest and the sales of publications, which were higher than anticipated.

Expenditure

(i) Staff

The saving of 59,459 francs is the result of a downward revision of staff expenditure.

(ii) Missions and national officials and conference participants

The savings of 30,201 francs and 8,668 francs respectively are the result of a reduction in the number of missions undertaken by officials and of conferences.

(iii) Consultants

The surplus expenditure of 42,811 francs is explained by the fact that the expenses for the consultant recruited in order to improve communication with the countries using Russian, whose contract ended in December 2003, were greater than anticipated.

(iv) Publications

The excess of 6,932 francs is due mainly to the expenses linked to the production of the CD-ROM.

(v) Other contractual services

The cost of outside translation of documents exceeded the planned expenditure by 22,517 francs.

(vi) Premises and maintenance

The reduction in the Office's need for premises allowed savings of 26,990 francs.

(vii) Furniture, equipment and supplies

The surplus expenditure of 20,254 francs is due mainly to stationery purchases which were larger than anticipated. This surplus was compensated by furniture and equipment costs which were lower than expected.

Expenditure by sub-program for the 2002-2003 financial biennium
(in thousands of francs)

Sub-program	UV.01	UV.02	UV.03	UV.04	Total
Staff	313	1 657	1 215	1 121	4 306
Missions	-	99	93	95	287
National officials and conference participants	-	-	80	11	91
Fellowships	-	-	-	-	-
Conferences	35	74	8	6	123
Consultants	-	158	142	-	300
Publications	-	65	-	-	65
Other contractual services	-	107	-	-	107
Premises/maintenance	-	192	-	-	192
Communications/other expenses	1	1 616	1	1	1 619
Furniture/equipment	-	1	-	-	1
Supplies	-	34	-	-	34
Total	349	4 003	1 539	1 234	7 125

UV.01 General policy for protection of new varieties of plants

UV.02 Improvement of services provided to Contracting Parties/Setting-up of an effective system of protection for new varieties of plants

UV.03 Extension of the scope of protection for new varieties of plants

UV.04 External relations

Funding plan for the 2002-2003 financial biennium

	Ordinary budget		Extrabudgetary resources*		Funding	
	Revised budget	Accounts	Revised budget	Accounts	Revised budget	Accounts
Expenditure	7 166 000	7 125 378	390 000	370 444	7 556 000	7 495 822
Income	6 039 000	6 035 361	372 000	371 573	6 411 000	6 406 934
+ /(-) Transfer to/from funding balance	1 127 000	1 090 017	18 000	(1 129)	1 145 000	1 088 888
Total funding amount	7 166 000	7 125 378	390 000	370 444	7 556 000	7 495 822

* Extrabudgetary resources include the funds in trust which are an integral part of UPOV's accounts.

ANNEX A.2

Balance sheet as at December 31, 2003

Assets		Liabilities	
Liquid assets	965 676	Accounts payable	532 556
		Funds in trust	47 899
		Unliquidated obligations	4 007
Accounts receivable	150 845	Reserve Fund:	
		Balance carried forward from December 31, 2001	1 173 321
		Deficit for 2002-2003	<u>(1 090 017)</u> 83 304
		Working Capital Fund	448 755
	1 116 521		1 116 521

ANNEX A.3

Contributions by Member States

Member States	Contribution units	Amounts payable:		Date of accession to UPOV
		January 2002	January 2003	
Argentina	0.5	26 820	26 820	25/12/1994
Australia	1	53 641	53 641	1/3/1989
Austria	1.5	80 462	80 462	14/7/1994
Belgium	1.5	80 462	80 462	5/12/1976
Bolivia	0.2	10 728	10 728	21/5/1999
Brazil	0.25	13 410	13 410	23/5/1999
Bulgaria	0.2	10 728	10 728	24/4/1998
Canada	1	53 641	53 641	4/3/1991
Chile	0.2	10 728	10 728	5/1/1996
China	0.5	26 820	26 820	23/4/1999
Colombia	0.2	10 728	10 728	13/9/1996
Croatia	0.2	10 728	10 728	1/9/2001
Czech Republic	0.5	26 820	26 820	1/1/1993
Denmark	1.5	80 462	80 462	6/10/1968
Ecuador	0.2	10 728	10 728	8/8/1997
Estonia	0.2	10 728	10 728	24/9/2000
Finland	1	53 641	53 641	16/4/1993
France	5	268 205	268 205	3/10/1971
Germany	5	268 205	268 205	10/8/1968
Hungary	0.5	26 820	26 820	16/4/1983
Ireland	1	53 641	53 641	8/11/1981
Israel	0.5	26 820	26 820	12/12/1979
Italy	2	107 282	107 282	1/7/1977
Japan	5	268 205	268 205	3/9/1982
Kenya	0.2	10 728	10 728	13/5/1999
Kyrgyzstan	0.2	10 728	10 728	26/6/2000
Latvia	0.2	-	10 728	30/8/2002
Mexico	0.75	40 231	40 231	9/8/1997
Netherlands	3	160 923	160 923	10/8/1968
New Zealand	1	53 641	53 641	8/11/1981
Nicaragua	0.2	10 728	10 728	6/9/2001
Norway	1	53 641	53 641	13/9/1993
Panama	0.2	10 728	10 728	23/5/1999
Paraguay	0.2	10 728	10 728	8/2/1997
Poland	0.5	26 820	26 820	11/11/1989
Portugal	0.5	26 820	26 820	14/10/1995
Republic of Korea	0.75	-	40 231	7/1/2002
Republic of Moldova	0.2	10 728	10 728	28/10/1998
Romania	0.2	10 728	10 728	16/3/2001
Russian Federation	0.5	26 820	26 820	24/4/1998
Slovakia	0.5	26 820	26 820	1/1/1993
Slovenia	0.2	10 728	10 728	29/7/1999
South Africa	1	53 641	53 641	6/11/1977
Spain	1.5	80 462	80 462	18/5/1980
Sweden	1.5	80 462	80 462	17/12/1971
Switzerland	1.5	80 462	80 462	10/7/1977
Trinidad and Tobago	0.2	10 728	10 728	30/1/1998
Ukraine	0.5	26 820	26 820	3/11/1995
United Kingdom	5/2	268 205	107 282	10/8/1968
United States of America	5	268 205	268 205	8/11/1981
Uruguay	0.2	10 728	10 728	13/11/1994
Total		2 971 706	2 861 742	

i.e. 51 member States (including 49 contributors for 2002 and 51 for 2003).

Member States	Date of accession to UPOV
Belarus*	5/1/2003
Lithuania*	10/12/2003
Tunisia*	31/8/2003

i.e.: 54 member States (as at December 31, 2003)

* Contribution payable from January 2004 onwards.

ANNEX A.4

Comparison of income and expenditure between the 2000-2001 biennium
and the 2002-2003 biennium

	2000-2001 biennium	2002-2003 biennium
Income		
Contributions	5 857 588	5 833 448
Publications	61 940	66 648
Interest	204 988	92 648
Other	49 963	42 617
Total income	6 174 479	6 035 361
Expenditure		
Staff	3 196 400	4 306 541
Missions	412 174	291 017
National officials and conference participants	102 292	87 114
Conferences	146 984	123 128
Consultants	416 957	299 811
Publications	97 704	64 932
Other contractual services	213 463	106 517
Premises and maintenance	194 481	192 010
Communications and other expenses	1 658 446	1 619 633
Furniture and equipment	29 957	421
Supplies	37 113	34 254
Total expenditure	6 505 971	7 125 378
Results		
Deficit transferred from the Reserve Fund	(331 492)	(1 090 017)
Overall result	6 174 479	6 035 361

ANNEX A.5

Amounts of the contributions due and unpaid working capital as at December 31, 2003

Member State*	No arrears/year(s) of arrears	Amount of arrears in francs	
Argentina	No arrears		
Australia	No arrears		
Austria	No arrears		
Belgium	No arrears		
Bolivia	No arrears		
Brazil	2002 contribution	13 410	
	2003 contribution	<u>13 410</u>	26 820
Bulgaria	No arrears		
Canada	No arrears		
Chile	No arrears		
China	No arrears		
Colombia	No arrears		
Croatia	No arrears		
Czech Republic	No arrears		
Denmark	No arrears		
Ecuador	No arrears		
Estonia	No arrears		
Finland	No arrears		
France	No arrears		
Germany	No arrears		
Hungary	No arrears		
Ireland	No arrears		
Israel	No arrears		
Italy	No arrears		
Japan	No arrears		
Kenya	No arrears		
Kyrgyzstan	No arrears		
Latvia	No arrears		
Mexico	No arrears		
Netherlands	No arrears		
New Zealand	No arrears		
Nicaragua	2003 contribution (balance)		120
Norway	No arrears		
Panama	2003 contribution (balance)		311
Paraguay	No arrears		
Poland	No arrears		
Portugal	No arrears		
Republic of Korea	2003 contribution	40 231	
	Working Capital Fund	<u>6 250</u>	46 481
Republic of Moldova	No arrears		
Romania	No arrears		
Russian Federation	2002 contribution	26 820	
	2003 contribution	<u>26 820</u>	53 640
Slovakia	No arrears		
Slovenia	No arrears		
South Africa	No arrears		
Spain	No arrears		
Sweden	No arrears		
Switzerland	No arrears		
Trinidad and Tobago	No arrears		
Ukraine	2003 contribution (balance)		23 168
United Kingdom	No arrears		
United States of America	No arrears		
Uruguay	No arrears		
Total			150 540

* Only the member States that have contributed for 2002 and 2003, or for 2003, appear in this list.

ANNEX A.6

Comparison of balance sheet as at December 31, 2001
with the balance sheet as at December 31, 2003

	December 31, 2001	December 31, 2003
Assets		
<u>Cash assets</u>		
UBS S.A., current accounts	753 038	394 912
Swiss Confederation:		
- Working Capital Fund	435 837	448 755
- investment	1 395 846	122 009
<u>Accounts receivable</u>		
Contributions and Working Capital Fund shares outstanding	137 548	150 540
Sundry debtors	5 773	305
	2 728 042	1 116 521
Liabilities		
<u>Accounts payable:</u>		
Advance payments of contributions and Working Capital Fund shares	207 693	375 266
Sundry creditors	847 137	157 290
Funds in trust	46 770	47 899
Unliquidated obligations	-	4 007
Transitional liabilities account	17 284	-
Reserve Fund	1 173 321	83 304
Working Capital Fund	435 837	448 755
	2 728 042	1 116 521

ANNEX A.7

Extrabudgetary funds

FUNDS IN TRUST, JAPANESE GOVERNMENT

Balance carried forward from previous biennium 46 770

Funds received

February 25, 2002	196 600	
March 13, 2003	174 300	
Bank interest	<u>673</u>	371 573

Expenditure

Seminars/courses on the protection of plant varieties

New Delhi, Cuttak, Hyderabad and Pune, India (February-March 2002)	30 944	
Seoul, Republic of Korea (July 2002)	111 484	
Tsukuba, Japan (September 2002)	9 110	
Phnom Penh, Cambodia (October 2002)	7 606	
Ho Chi Minh City, Viet Nam (including meeting with the Minister of Agriculture and participation in the "Asian Seeds" exhibition)	24 161	
Manila, Philippines (March 2003)	69 049	
Phnom Penh, Cambodia, and Yangon, Myanmar (March 2003)	11 520	
Tsukuba, Japan (August-September 2003)	4 529	
Vientiane, Lao People's Democratic Republic, Singapore and Bangkok, Thailand (including participation in the "Asian Seeds" exhibition) (November 2003)	28 211	

Study visit to Angers, Geneva and Wageningen for four national experts (Cambodia, Myanmar, Lao People's Democratic Republic, Viet Nam) 30 623

Miscellaneous charges (bank charges) 589
327 826

Administrative charges (13 per cent on these expenses) 42 618 (370 444)

Funds available as at December 31, 2003 47 899

ANNEX A.8

Comparative table 1

Statement of income and expenditure
and changes in the Reserve Fund and Working Capital Fund balances

for the period ending December 31, 2003
(expressed in thousands of Swiss francs)

<u>Heading</u>	<u>General Fund</u> <u>(and related funds)</u>	
	<u>Total</u>	
	<u>Period</u> 2002-03	<u>Period</u> 2000-01
INCOME		
Contributions	5 833	5 858
Other/miscellaneous income		
Revenue producing activities	109	98
Funds received under inter-organization arrangements	-	13
Bank interest	93	205
Currency exchange adjustments	-	-
Other/miscellaneous	-	-
TOTAL INCOME	6 035	6 174
EXPENDITURE	7 125	6 506
TOTAL EXPENDITURE	7 125	6 506
EXCESS INCOME OVER EXPENDITURE	(1 090)	(331)
Transfers to Reserve Fund	-	-
Transfers from Reserve Fund	(1 090)	(331)
Transfers to Working Capital Fund	13	16
Other adjustments	-	-
Reserve and Working Capital Fund balances at beginning of period	1 609	1 924
RESERVE AND WORKING CAPITAL FUND BALANCES, END OF PERIOD	532	1 609

ANNEX A.9

Comparative table 2

Statement of assets, liabilities and Reserve and Working Capital Fund balances

as at December 31, 2003
(expressed in thousands of Swiss francs)

<u>Heading</u>	<u>General Fund (and related funds)</u>	
	<u>Total</u>	
	<u>Period 2002-03</u>	<u>Period 2000-01</u>
ASSETS		
Cash and term deposits	966	2 585
Accounts receivable		
Contributions and Working Capital Fund shares receivable from member States	151	137
Other	-	6
Other assets		
Land and buildings		
TOTAL ASSETS	1 117	2 728
LIABILITIES		
Contributions received in advance	376	208
Unliquidated obligations	4	17
Accounts payable		
Inter-fund balances	198	890
Other	7	4
Other funds and special accounts	-	-
TOTAL LIABILITIES	585	1 119
RESERVE AND WORKING CAPITAL FUND BALANCES		
Reserve Fund at end of period	83	1 173
Working Capital Fund at end of period	449	436
TOTAL RESERVE AND WORKING CAPITAL FUND BALANCES	532	1 609
TOTAL LIABILITIES, RESERVE AND WORKING CAPITAL FUND BALANCES	1 117	2 728

ANNEX A.10

Comparative table 3

Statement of cashflow

as at December 31, 2003
(expressed in thousands of Swiss francs)

	<u>Period</u> 2002-03	<u>Period</u> 2000-01
CASHFLOW FROM OPERATING ACTIVITIES		
Net excess (shortfall) of income over expenditure	(1 090)	(332)
(Increase) decrease in contributions payable	(13)	267
(Increase) decrease in other accounts receivable	5	(5)
Increase (decrease) in contributions or payments received in advance	167	101
Increase (decrease) in unliquidated obligations	(13)	14
Increase (decrease) in accounts payable	3	-
less : interest income	(93)	(205)
plus : financial charges	6	4
NET CASHFLOW FROM OPERATING ACTIVITIES	(1 028)	(156)
CASHFLOWS FROM INVESTMENT AND FINANCING ACTIVITIES		
(Increase) decrease in inter-fund balances receivable*	-	-
Increase (decrease) in inter-fund balances payable*	(691)	487
Increase (decrease) in balances on funds and special accounts	13	(125)
plus : interest income	93	205
less : financial charges	(6)	(4)
NET CASHFLOW FROM INVESTMENT AND FINANCING ACTIVITIES	(591)	563
CASHFLOW FROM OTHER SOURCES	-	-
NET CASHFLOW FROM OTHER SOURCES	-	-
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(1 619)	407
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	2 585	2 178
CASH AND TERM DEPOSITS AT END OF PERIOD	966	2 585

* Between the different accounting entities administered by WIPO.

[Annex B follows]

C/38/4

ANNEX B

EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE

**INTERNATIONAL UNION FOR THE PROTECTION
OF NEW VARIETIES OF PLANTS
GENEVA**

2002-2003 biennium

Auditor's Report
to the Council

*Reg. No. 4220/944.00.1.XX/02
hejai/nede*

Berne, July 15, 2004

GENERAL

Terms of reference

1. Pursuant to Article 25 of the International Convention of December 2, 1961, as revised in 1978, the Council of the International Union for the Protection of New Varieties of Plants (UPOV), at its thirty-seventh ordinary session held in Geneva on October 23, 2003, renewed Switzerland's mandate as Auditor up to and including the year 2007 (paragraph 30 of document C/37/21).
2. The Swiss Government mandated me, as Director of the Federal Audit Office, to audit the accounts of UPOV. I entrusted several qualified colleagues at the Federal Audit Office with carrying out intermediate checks during the period and, in May 2004, with auditing the accounts as at December 31, 2003, at the headquarters of the International Bureau of the World Intellectual Property Organization (WIPO) in Geneva.

Financial regulations

3. In addition to the relevant provisions of the various Conventions, the 2002-2003 biennium was governed by the provisions of the WIPO Financial Rules and Regulations, and by the appropriate items in the budget approved by the Council at its thirty-fifth ordinary session, held in Geneva on October 25, 2001 (paragraph 21 of document C/35/14), and which was revised at the thirty-seventh ordinary session, held in Geneva on October 23, 2003 (C/37/21).

Information and documents

4. I wish to express my satisfaction with the obliging manner in which Mr. P. Favatier, Director of the WIPO Finance Division and responsible for keeping the UPOV accounts, and his staff provided all the information and documents required for my work to be completed.

Nature and scope of the audit

5. The audits related to entries concerning the 2002-2003 biennium in the income and expenditure accounts, the financial statements and the items appearing in the balance sheet as at December 31, 2003. Our examination was carried out according to generally accepted auditing standards and principles. Auditing was carried out at the same time as that of WIPO and the Unions it administers in view of the fact that the payment, entry and internal auditing procedures are identical.
6. Observations of minor importance that arose during auditing of the accounts were discussed with the officials concerned and do not call for particular comment.

2002-2003 BUDGET AND ACCOUNTS

Budget for the biennium

7. An initial budget for the 2002-2003 biennium was adopted by the Council at its thirty-fifth ordinary session in Geneva on October 25, 2001 (paragraph 21 of document C/35/14). It was revised at the thirty-seventh ordinary session, held in Geneva on October 23, 2003 (C/37/4). The revised budget was as follows:

	<u>Fr.</u>
- Expenditure	7 166 000
- Income	<u>6 039 000</u>
- Surplus charges covered by withdrawal from the Reserve Fund	<u>1 127 000</u>

Results of the biennium

8. The results of the accounts for the 2002-2003 biennium are as follows:

	<u>Fr.</u>
- Expenditure	7 125 378
- Income	<u>6 035 361</u>
- Surplus charges covered by withdrawal from the Reserve Fund	<u>1 090 017</u>

Income and expenditure

9. The figures relating to income and expenditure during the 2002-2003 biennium, which were the subject of the audit, are shown on pages 6 and 65 of the UPOV Financial Report (document UPOV/INT./28) and correspond to those of the accounts. Expenditure includes, *inter alia*, an amount of 1,619,633 francs corresponding to UPOV's participation in the services provided by WIPO during the period under review, in accordance with Article 2 of the Agreement of November 26, 1982, between WIPO and UPOV.
10. In relation to the revised budget, the overall expenditure for the biennium shows a saving of 40,622 francs, i.e. 0.57 per cent (overspend in 2000-2001 of 518,791 francs or 8.6 per cent). For more details on this subject, I refer the reader to the UPOV Financial Report concerning the main variations between the budget and the accounts.

Balance sheet as at December 31, 2003

11. The total UPOV balance sheet as at December 31, 2003, amounted to 1,116,521 francs.
12. The balance sheet that was audited appears on page 66 of the UPOV Financial Report (document UPOV/INT./28).
13. The amount of 47,899 francs in the item "funds in trust" on the liabilities side of the balance sheet represents the net position of the Union with regard to third parties, namely the

contributions paid to the Union by the providers of funds once the cumulative expenditure of ongoing projects has been deducted.

Allocation of expenditure

14. The UPOV Council approves the budget which sets out expenditure by type, including common expenses. The Assemblies of the Member States of WIPO approved the revised 2002-2003 budget (WO/PBC/7/2) at its thirty-ninth session on October 1, 2003. The initial and revised budgets do not contain a detailed table recapping the allocations by Union and by program. The only indications of the allocations between WIPO and UPOV appear in table 15, on page 193 of the French version of this document, under the heading “autres Unions” (“other Unions”). The allocations were determined in an internal document. The common expenses attributable to UPOV stand at 1,620 million francs.

Recommendation No. 1: The allocations between WIPO and UPOV should be clearly defined in the WIPO budget. The latter should include an annex which provides details of the allocations applicable to each individual Union.

15. Pursuant to Article 4 of its Financial Regulations, WIPO has the possibility of transferring appropriations from one program to another during the biennium. An element of budgetary flexibility is that whereby the WIPO Director General can rectify the biennial budgets of world protection systems according to formulae based on unexpected increases or reductions in the workload or staff requirements. That flexibility has a direct influence on the common expenses of the various programs, part of which is borne by UPOV.

Provision for separation from service

16. As at December 31, 1999, an amount of 141,049.95 francs had been accumulated in the provision for separation from service. It was used in full during the 2000-2001 biennium. During the 2002-2003 biennium, no provision was made for separation from service. This situation could be a cause for concern, given the current level of reserves (see following chapter).

Recommendation No. 2: As a precaution, I believe that provision should be made by UPOV for separation from service. This could be funded in the same way as the provision made by WIPO, i.e. monthly payments as a percentage of the wage bill.

Reserve Fund

17. At the end of the 2002-2003 biennium, the Reserve Fund stood at 83,304 francs, i.e. less than 1.4 per cent of the expenses budgeted for the 2004-2005 biennium.
18. UPOV's financial health appears to be fragile. The amount of the reserves is insufficient to cover the risks inherent in the fluctuations in income (contributions) and also exceptional expenses such as the charges incurred for separation from service.

Recommendation No. 3: In order to guarantee balanced finances in the future for UPOV, I consider that it is my duty to draw the Council's attention to the need to set up a Reserve Fund which is able to ensure the Union's ongoing financial good health.

CONCLUSIONS

19. As a result of the work done, I am able to issue the audit opinion annexed to this report and drawn up in conformity with paragraph 5 of the terms of reference governing audit (annexed to the WIPO Financial Regulations).

(signed)
K. Grüter
Director
FEDERAL AUDIT OFFICE
OF THE SWISS CONFEDERATION
(Auditor)

Annex: Audit opinion

Annex to 4220/944.00.1.XX/02

AUDIT OPINION

I have examined the financial statements presented on pages 6, 65 and 66 of the Financial Management Report of the International Union for the Protection of New Varieties of Plants (UPOV), document UPOV/INT./28, for the financial period ending on December 31, 2003. The compilation of those financial statements is the responsibility of the Secretary-General. My role consists in expressing an opinion on them in the light of the audit undertaken by me.

I conducted my audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, in compliance with the Financial Regulations of UPOV, constituted *mutatis mutandis* by the Financial Regulations of WIPO. Those standards require me to plan and carry out the audit in such a way as to gain reasonable assurance that the financial statements are free of serious errors. An audit consists among other things in examining, by sampling and to the extent considered necessary by the external auditor in the circumstances, the supporting documents provided to back up the amounts and the data appearing in the financial statements. I consider that the audit that I undertook provides a reasonable basis for the opinion that I present here.

My opinion is that the financial statements give a satisfactory account, on all essential points, of the financial position as at December 31, 2003, and of the results of operations and movements of funds for the financial period ending on that date, in accordance with the specified accounting policies of UPOV which are set forth in the Notes on the 2002-2003 Financial Management Report, and which have been applied in a manner consistent with the previous accounting period.

In addition, it is my opinion that the UPOV operations that I checked by sampling in the course of my audit were on all essential points consistent with the Financial Regulations and the authority given by the deliberative bodies of the Union.

I have also, pursuant to paragraph 6 of the terms of reference governing audit, annexed to the WIPO Financial Regulations, drawn up a detailed report on my auditing of the financial statements of UPOV, which is dated July 15, 2004.

Berne, July 15, 2004

(signed)

K. Grüter
Director
FEDERAL AUDIT OFFICE
OF THE SWISS CONFEDERATION
(Auditor)

[End of Annex B and of document]