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INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
GENEVA

COUNCIL

Forty-Fourth Ordinary Session
Geneva, October 21, 2010

**FINANCIAL SITUATION OF THE INTERNATIONAL UNION FOR THE PROTECTION
OF NEW VARIETIES OF PLANTS AS AT DECEMBER 31, 2009**

Memorandum by the Secretary-General

SUMMARY

This document sets out the finances of the Union as at December 31, 2009, and reproduces the Auditor's Report on the accounts for the 2008-2009 financial period.

1. FINANCIAL RESULTS FOR THE 2008-2009 BIENNIUM

The financial results for the 2008-2009 biennium are as follows:

	<u>Swiss francs</u> *
Income	6 771 487
Expenditure	<u>6 381 117</u>
Surplus of income	<u>390 370</u>

In accordance with Article 5 of the UPOV Financial Regulations (document UPOV/C/VI/15), the surplus of income of 390 370 Swiss francs was paid into 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, 2009 (Annex A.2 of this document), the Working Capital Fund stands at 520 427 Swiss francs. The share of each member of the Union, calculated in accordance with the decisions taken by the Council at its sessions in November 1972 (document UPOV/C/VI/12, paragraph 57), October 1992 (document C/26/15, paragraph 14) and April 2006 (document C(Extr.)/23/4, paragraph 10) is as follows:

Member of the Union	Swiss francs	Member of the Union	Swiss francs
Albania	1 667	Kyrgyzstan	1 667
Argentina	4 167	Latvia	1 667
Australia	8 333	Lithuania	1 667
Austria	12 500	Mexico	6 250
Azerbaijan	1 667	Morocco	1 667
Belarus	1 667	Netherlands	24 999
Belgium	8 333	New Zealand	8 333
Bolivia (Plurinational State of)	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
Dominican Republic	1 667	Singapore	1 667
Ecuador	1 667	Slovakia	4 167
Estonia	1 667	Slovenia	1 667
European Union	41 667	South Africa	8 333
Finland	8 333	Spain	12 500
France	41 667	Sweden	8 333
Georgia	1 667	Switzerland	8 333
Germany	41 667	Trinidad and Tobago	1 667

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

Member of the Union	Swiss francs	Member of the Union	Swiss francs
Hungary	4 167	Tunisia	1 667
Iceland	1 667	Turkey	4 167
Ireland	8 333	Ukraine	4 167
Israel	4 167	United Kingdom	41 667
Italy	16 666	United States of America	41 667
Japan	41 667	Uruguay	1 667
Jordan	1 667	Uzbekistan	1 667
Kenya	1 667	Viet Nam	1 667
		Total :	520 427

3. BASE OF CONTRIBUTIONS

The amount of the annual contribution of each member of the Union is calculated on the basis of the number of contribution units applied to it (Article II of the 1972 Act, Article 26 of the 1978 Act and Article 29 of the 1991 Act of the Convention). The calculation of the contributions for 2008 and 2009 was based on the following number of units (in this regard, see the 2008-2009 budget (documents C/41/4 and C/41/17)):

Number of Units	Member of the Union
5	European Union
5	France
5	Germany
5	Japan
5	United States of America
3	Netherlands
2	Italy
2	Spain
2	United Kingdom
1.5	Belgium
1.5	Denmark
1.5	Sweden
1.5	Switzerland
1	Australia
1	Canada
1	Finland
1	Ireland
1	New Zealand
1	Norway
1	South Africa
0.75	Austria
0.75	Mexico
0.75	Republic of Korea
0.5	Argentina
0.5	China
0.5	Czech Republic
0.5	Hungary
0.5	Israel
0.5	Poland
0.5	Portugal (for 2008)
0.5	Russian Federation

Number of Units	Member of the Union
0.5	Slovakia
0.5	Turkey
0.25	Brazil
0.2	Albania
0.2	Azerbaijan
0.2	Belarus
0.2	Bolivia (Plurinational State of)
0.2	Bulgaria
0.2	Chile
0.2	Colombia
0.2	Croatia
0.2	Dominican Republic
0.2	Ecuador
0.2	Estonia
0.2	Georgia (for 2009)
0.2	Iceland
0.2	Jordan
0.2	Kenya
0.2	Kyrgyzstan
0.2	Latvia
0.2	Lithuania
0.2	Morocco
0.2	Nicaragua
0.2	Panama
0.2	Paraguay
0.2	Portugal (for 2009)
0.2	Republic of Moldova
0.2	Romania
0.2	Singapore
0.2	Slovenia
0.2	Trinidad and Tobago
0.2	Tunisia
0.2	Ukraine
0.2	Uruguay
0.2	Uzbekistan
0.2	Viet Nam
Total :	60.70 units for 65 members of the Union (for 2008)
	60.60 units for 66 members of the Union (for 2009)

4. ANNEXES

Annex A to this document contains:

- A.1 - comparison of budget and actual income and expenditure for the 2008-2009 financial period, followed by explanatory notes, expenditure by sub-program and a funding plan for the 2008-2009 biennium;
- A.2 - balance sheet as at December 31, 2009;
- A.3 - contributions of members of the Union (including contributions and Working Capital Fund participations received in advance);
- A.4 - comparison of income and expenditure for the 2006-2007 biennium and 2008-2009 biennium;
- A.5 - amounts of the contributions due and unpaid working capital as at December 31, 2009;
- A.6 - comparison of the balance sheet as at December 31, 2007, with the balance sheet as at December 31, 2009;
- A.7 - extrabudgetary funds (funds in trust);
- A.8 - statement of income and expenditure, and changes in the Reserve Fund and Working Capital Fund balances (Comparative table 1);
- A.9 - statement of assets, liabilities, and Reserve Fund and Working Capital Fund balances (Comparative table 2);
- A.10 - statement of cashflow (Comparative table 3);
- A.11 - notes (purpose of the Union; main accounting standards)

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

5. The Council is invited to examine and approve the accounts for the 2008-2009 financial period.

[Annex A.1 follows]

ANNEX A.1

COMPARISON OF BUDGET AND ACTUAL INCOME AND EXPENDITURE
FOR THE 2008-2009 FINANCIAL PERIOD
(Swiss francs)

		Budget	Actual	Difference Budget/Actual
Income				
Contributions	(i)	6 534 000	6 506 636	27 364
Publications		70 000	43 380	26 620
Interest	(ii)	70 000	127 415	(57 415)
Other	(iii)	80 000	94 056	(14 056)
Total income		6 754 000	6 771 487	(17 487)
Expenditure				
Personnel Resources	(i)	4 607 000	4 369 287	237 713
Staff Missions	(ii)	300 000	445 141	(145 141)
Third Party Travel		70 000	71 506	(1 506)
Conferences	(iii)	120 000	152 330	(32 330)
Experts	(iv)	151 000	3 200	147 800
Publishing		61 000	63 276	(2 276)
Other Contractual Services	(v)	30 000	7 926	22 074
Operating Expenses		1 236 000	1 247 127	(11 127)
Furniture and Equipment		15 000	14 010	990
Supplies and Materials	(v)	15 000	7 314	7 686
Total expenditure		6 605 000	6 381 117	223 883
Results				
Surplus of income transferred to the Reserve Fund		149 000	390 370	(241 370)

(i) to (v): see page 2 of this Annex

EXPLANATION OF THE MAIN VARIATIONS BETWEEN BUDGET AND
ACTUAL FIGURES

Income

(i) Contributions

The shortfall of 27 364 Swiss francs is due to lower than expected accessions to the Union and also to the reduction in the contribution of one member.

(ii) Interest

The funds deposited with the Swiss Confederation were greater than expected, due to the higher than expected surplus. This generated excess interest of 57 415 Swiss francs.

(iii) Other

The surplus of income of 14 056 Swiss francs is mainly explained by increased participation in the Union's distance learning program.

Expenditure

(i) Personnel resources

The savings of 237 713 Swiss francs are the result of the actual cost increase for posts, as compared to the budgeted increase, as well as lower than expected expenditure in respect of short-term contracts in the general service category.

(ii) Staff missions

The excess of expenditure of 145 141 Swiss francs is the result of a higher than budgeted number of staff missions, mainly due to higher number of demands for advice and assistance.

(iii) Conferences

The cost for additional activities, such as the symposium on contracts in relation to plant breeders' rights and two workshops organized in cooperation with the African Seed Trade Association, resulted in an over-expenditure of 32 330 Swiss francs.

(iv) Experts

The development of web-based plant variety database will be implemented by WIPO which explains the savings of 147 800 Swiss francs.

(v) Other contractual services/Supplies and materials

The continuous effort to reduce expenditure resulted in savings of 22 074 Swiss francs and 7 686 Swiss francs, respectively.

EXPENDITURE BY SUB-PROGRAM FOR THE 2008-2009 FINANCIAL PERIOD
(in thousands of Swiss francs)

Sub-program	UV.01	UV.02	UV.03	UV.04	Total
Personnel Resources	730	2 045	1 062	533	4 370
Staff Missions	-	143	178	124	445
Third Party Travel	-	3	62	7	72
Conferences	58	82	10	2	152
Experts	-	-	3	-	3
Publishing	-	63	-	-	63
Other Contractual Services	-	7	-	1	8
Operating Expenses	9	1 237	1	1	1 247
Furniture and Equipment	14	-	-	-	14
Supplies	1	6	-	-	7
Total	812	3 586	1 316	667	6 381

UV.01 Overall Policy on Plant Variety Protection

UV.02 Improved Services to Members of the Union / Ensuring an Effective System of Plant Variety Protection

UV.03 Extending the Coverage of Protection of New Varieties of Plants

UV.04 External Relations

FUNDING PLAN FOR THE 2008-2009 FINANCIAL BIENNIUM
(in Swiss francs)

	Ordinary budget		Extrabudgetary resources* Funds in trust		Total funding	
	Budget	Actual	Budget	Actual	Budget	Actual
Expenditure	6 605 000	6 381 117	326 000	440 951	6 931 000	6 822 068
Income	6 754 000	6 771 487	326 000	447 174	7 080 000	7 218 661
+ / (-) Transfer from/to funding balance	(149 000)	(390 370)	-	(6 223)	(149 000)	(396 593)
Total funding amount	6 605 000	6 381 117	326 000	440 951	6 931 000	6 822 068

[Annex A.2 follows]

* Extra-budgetary resources include the funds in trust which are presented as independent accounts (see Annex A.7)

ANNEX A.2

BALANCE SHEET AS AT DECEMBER 31, 2009
(Swiss francs)

Assets			Liabilities		
Liquid assets :					
Current account	144 861		Contributions and Working Capital Fund participations received in advance		199 600
Trust account	<u>2 092 316</u>	2 237 177			
			Liaison account, World Intellectual Property Organization (WIPO)		239 383
Outstanding contributions		59 031			
			Miscellaneous accounts payable		971
Liaison account, funds in trust		67 482			
Miscellaneous accounts receivable		1 616	<u>Reserve Fund:</u>		
			Balance carried forward from December 31, 2007	646 859	
			Surplus of income for 2008-2009	<u>390 370</u>	1 037 229
			Working Capital Fund		520 427
			Provision for separation from service		359 113
			Other provisions		8 583
		2 365 306			2 365 306

[Annex A.3 follows]

ANNEX A.3

CONTRIBUTIONS OF MEMBERS OF THE UNION

(Swiss francs)

Members of the Union	Contribution units	Amounts payable:		Date of membership
		January 2008	January 2009	
Albania	0.2	10 728	10 728	15/10/2005
Argentina	0.5	26 820	26 820	25/12/1994
Australia	1	53 641	53 641	1/3/1989
Austria	0.75	40 231	40 231	14/7/1994
Azerbaijan	0.2	10 728	10 728	9/12/2004
Belarus	0.2	10 728	10 728	5/1/2003
Belgium	1.5	80 462	80 462	5/12/1976
Bolivia (Plurinational State of)	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
Dominican Republic	0.2	10 728	10 728	16/6/2007
Ecuador	0.2	10 728	10 728	8/8/1997
Estonia	0.2	10 728	10 728	24/9/2000
European Union	5	268 205	268 205	29/7/2005
Finland	1	53 641	53 641	16/4/1993
France	5	268 205	268 205	3/10/1971
Georgia	0.2	-	10 728	29/11/2008
Germany	5	268 205	268 205	10/8/1968
Hungary	0.5	26 820	26 820	16/4/1983
Iceland	0.2	10 728	10 728	3/5/2006
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
Jordan	0.2	10 728	10 728	24/10/2004
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	10 728	30/8/2002
Lithuania	0.2	10 728	10 728	10/12/2003
Mexico	0.75	40 231	40 231	9/8/1997
Morocco	0.2	10 728	10 728	8/10/2006
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	0.5/0.2	26 820	10 728	14/10/1995
Republic of Korea	0.75	40 231	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
Singapore	0.2	10 728	10 728	30/7/2004
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

Members of the Union	Contribution units	Amounts payable:		Date of membership
		January 2008	January 2009	
Spain	2	107 282	107 282	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
Tunisia	0.2	10 728	10 728	31/8/2003
Turkey	0.5	26 820	26 820	18/11/2007
Ukraine	0.2	10 728	10 728	3/11/1995
United Kingdom	2	107 282	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
Uzbekistan	0.2	10 728	10 728	14/11/2004
Viet Nam	0.2	10 728	10 728	24/12/2006
Total		3 256 000	3 250 636	

i.e. 66 members of the Union (65 contributors for 2008 and 66 for 2009)

Members of the Union	Date of membership
Costa Rica *	12/1/2009
Oman *	22/11/2009

i.e. 68 members of the Union (as at December 31, 2009)

**CONTRIBUTIONS AND WORKING CAPITAL FUND PARTICIPATIONS
RECEIVED IN ADVANCE**

Contributions and Working Capital Fund participations for 2010, already received by December 31, 2009:

Members of the Union	Swiss francs
Australia	53 641
Bulgaria	10 728
Colombia	10 728
Costa Rica	
- contribution	10 188
- Working Capital Fund participation	1 667
Croatia	10 728
Ecuador	22
Hungary	26 820
Kenya	10 728
Mexico	21 475
Panama	65
Portugal	4 415
Slovakia	26 820

* Contribution payable from January 2010 onwards.

Members of the Union	Swiss francs
Spain	847
Uruguay	10 728
Total	199 600

[Annex A.4 follows]

ANNEX A.4

COMPARISON OF INCOME AND EXPENDITURE
BETWEEN THE 2006-2007 BIENNIUM AND THE 2008-2009 BIENNIUM
(Swiss francs)

	2006-2007 biennium	2008-2009 biennium
Income		
Contributions	6 485 182	6 506 636
Publications	67 705	43 380
Interest	104 877	127 415
Other	102 732	94 056
Total Income	6 760 496	6 771 487
Expenditure		
Personnel Resources	4 297 121	4 369 287
Staff Missions	309 643	445 141
Third Party Travel	41 589	71 506
Conferences	121 129	152 330
Experts	3 400	3 200
Publishing	60 866	63 276
Other Contractual Services	4 819	7 926
Operating Expenses	1 371 581	1 247 127
Furniture and Equipment	175	14 010
Supplies and Materials	3 717	7 314
Total Expenditure	6 214 040	6 381 117
Results		
Surplus of Income Transferred to the Reserve Fund	546 456	390 370
Overall Result	6 760 496	6 771 487

[Annex A.5 follows]

ANNEX A.5

AMOUNTS OF THE CONTRIBUTIONS DUE AND UNPAID WORKING CAPITAL
AS AT DECEMBER 31, 2009

Members of the Union	No arrears/year(s) of arrears	Amount of arrears in Swiss francs	
Albania	No arrears		
Argentina	No arrears		
Australia	No arrears		
Austria	No arrears		
Azerbaijan	2009 contribution (balance)		145
Belarus	No arrears		
Belgium	No arrears		
Bolivia (Plurinational State of)	No arrears		
Brazil	No arrears		
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		
Dominican Republic	2009 contribution (balance)		9 419
Ecuador	No arrears		
Estonia	No arrears		
European Union	No arrears		
Finland	No arrears		
France	No arrears		
Georgia	No arrears		
Germany	No arrears		
Hungary	No arrears		
Iceland	No arrears		
Ireland	No arrears		
Israel	No arrears		
Italy	No arrears		
Japan	No arrears		
Jordan	No arrears		
Kenya	No arrears		
Kyrgyzstan	No arrears		
Latvia	No arrears		
Lithuania	No arrears		
Mexico	No arrears		
Morocco	No arrears		
Netherlands	No arrears		
New Zealand	No arrears		
Nicaragua	2005 contribution (balance)	3 052	
	2006 contribution	10 728	
	2007 contribution	10 728	
	2008 contribution	10 728	
	2009 contribution	<u>10 728</u>	45 964
Norway	No arrears		
Panama	No arrears		

Members of the Union	No arrears/year(s) of arrears	Amount of arrears in Swiss francs	
Paraguay	No arrears		
Poland	No arrears		
Portugal	No arrears		
Republic of Korea	No arrears		
Republic of Moldova	No arrears		
Romania	No arrears		
Russian Federation	No arrears		
Singapore	No arrears		
Slovakia	No arrears		
Slovenia	No arrears		
South Africa	No arrears		
Spain	No arrears		
Sweden	No arrears		
Switzerland	No arrears		
Trinidad and Tobago	No arrears		
Tunisia	No arrears		
Turkey	No arrears		
Ukraine	2009 contribution (balance)		2 728
United Kingdom	No arrears		
United States of America	No arrears		
Uruguay	No arrears		
Uzbekistan	No arrears		
Viet Nam	2009 contribution (balance)		775
Total			59 031

[Annex A.6 follows]

ANNEX A.6

COMPARISON OF THE BALANCE SHEET AS AT DECEMBER 31, 2007
WITH THE BALANCE SHEET AS AT DECEMBER 31, 2009
 (Swiss francs)

	December 31, 2007	December 31, 2009
ASSETS		
<u>Liquid assets</u>		
UBS S.A., current account	274 412	144 861
Swiss Confederation, trust account	1 926 196	2 092 316
<u>Liaison accounts</u>		
Funds in trust	16 298	67 482
<u>Accounts receivable</u>		
Contributions and Working Capital Fund participations outstanding	166 530	59 031
Miscellaneous debtors	2 438	1 616
Total	2 385 874	2 365 306
LIABILITIES		
<u>Liaison accounts</u>		
WIPO	839 828	232 303
<u>Accounts payable</u>		
Advance payments of contributions and Working Capital Fund participations	150 194	199 600
Miscellaneous creditors	75	8 051
Provisions	235 993	367 696
Reserve Fund	646 858	1 037 229
Working Capital Fund	512 926	520 427
Total	2 385 874	2 365 306

[Annex A.7 follows]

ANNEX A.7

EXTRABUDGETARY FUNDS (funds in trust)

The funds in trust allocated by members of the Union are presented below as independent accounts.

Balance sheet

(as at December 31, 2009)

Assets	Swiss francs
<i>Liquid assets</i>	
Bank account (UBS S.A.)	51 801
Short term investment (UBS S.A.)	220 000
<i>Accounts receivable</i>	
Miscellaneous debtors	817
WIPO liaison account	37 254
Total	309 872
Liabilities	Swiss francs
<i>Due</i>	
UPOV liaison account	67 482
Funds in trust (according to breakdown below)	242 390
Total	309 872

Income and expenditure for the 2008-2009 biennium

(as at December 31, 2009)

Funds in trust/Japan	Swiss francs	
Balance, start of financial period		236 167
<i>Income</i>		
Funds received	440 601	
Interest	6 573	447 174
<i>Expenditure</i>		
Staff missions	103 058	
Third party travel	240 558	
Conferences	46 444	
Communications and other operating expenses	162	
Total direct expenditure	390 222	
Administrative costs	50 729	(440 951)
Funds available, end of financial period		242 390

Note. Funds in trust in the form of a voluntary contribution from the Government of Japan intended for regional seminars and workshops on the protection of new plant varieties in the Asian region.

[Annex A.8 follows]

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN THE
RESERVE FUND AND WORKING CAPITAL FUND BALANCES**

for the period ending December 31, 2009
(expressed in thousands of Swiss francs)

	Period 2006-2007	Period 2008-2009
INCOME		
Contributions	6 485	6 507
Other/miscellaneous income		
Revenue producing activities	170	137
Funds received under inter-organization arrangements	-	-
Bank interest	105	127
Currency exchange adjustments	-	-
Other/miscellaneous	-	-
TOTAL INCOME	6 760	6 771
EXPENDITURE	6 214	6 381
TOTAL EXPENDITURE	6 214	6 381
SURPLUS OF INCOME OVER EXPENDITURE	546	390
Transfers to Reserve Fund	546	390
Transfers from Reserve Fund	-	-
Transfers to Working Capital Fund	49	8
Other adjustments	-	-
Reserve and Working Capital Fund balances at beginning of period	565	1 160
RESERVE AND WORKING CAPITAL FUND BALANCES, END OF PERIOD	1 160	1 558

[Annex A.9 follows]

ANNEX A.9

Comparative table 2STATEMENT OF ASSETS, LIABILITIES AND RESERVE AND
WORKING CAPITAL FUND BALANCES

as at December 31, 2009
(expressed in thousands of Swiss francs)

	Period 2006-2007	Period 2008-2009
ASSETS		
Cash and term deposits	2 201	2 237
Accounts receivable		
Contributions and Working Capital Fund shares receivable from members of the Union	167	59
Other	16	69
Other assets	2	-
Land and buildings	-	-
TOTAL ASSETS	2 386	2 365
LIABILITIES		
Contributions received in advance	150	200
Unliquidated obligations	-	-
Accounts payable		
Inter-organization fund balances	840	232
Other	-	8
Other funds and special accounts	236	368
TOTAL LIABILITIES	1 226	808
RESERVE AND WORKING CAPITAL FUND BALANCES		
Reserve Fund at end of period	647	1 037
Working Capital Fund at end of period	513	520
TOTAL RESERVE AND WORKING CAPITAL FUND BALANCES	1 160	1 558
TOTAL LIABILITIES, RESERVE AND WORKING CAPITAL FUND BALANCES	2 386	2 365

[Annex A.10 follows]

STATEMENT OF CASHFLOW AS AT DECEMBER 31, 2009

(expressed in thousands of Swiss francs)

	Period 2006-2007	Period 2008-2009
CASHFLOW FROM OPERATING ACTIVITIES		
Net excess (shortfall) of income over expenditure	546	390
(Increase) decrease in contributions receivable	(8)	108
(Increase) decrease in other accounts receivable	(17)	1
(Increase) decrease in inter-fund balances receivable*	-	(51)
Increase (decrease) in contributions or payments received in advance	(260)	49
Increase (decrease) in unliquidated obligations	-	-
Increase (decrease) in accounts payable	(15)	8
Increase (decrease) in inter-fund balances payable*	(68)	(608)
Increase (decrease) in fund and special account balances	206	132
less: interest income	(105)	(127)
plus: financial charges	-	-
NET CASHFLOW FROM OPERATING ACTIVITIES	279	(98)
CASHFLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	-	-
(Increase) decrease in land and buildings	-	-
Increase (decrease) in borrowings	-	-
plus: interest income	105	127
less: financial charges	-	-
NET CASHFLOW FROM INVESTING ACTIVITIES	105	127
CASHFLOWS FROM FINANCING ACTIVITIES:		
Savings on or cancellation of prior periods' obligations	-	-
Transfers to reserves	49	7
Transfers from reserves	-	-
Transfers (to)/from other funds	-	-
Credits to members of the Union	-	-
Other adjustments to reserves and fund balances	-	-
NET CASHFLOWS FROM FINANCING ACTIVITIES	49	7
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	433	36
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	1 768	2 201
CASH AND TERM DEPOSITS AT END OF PERIOD	2 201	2 237

* Between the different accounting entities administered by WIPO.

[Annex A.11 follows]

ANNEX A.11

PURPOSE OF THE INTERNATIONAL UNION FOR THE PROTECTION OF
NEW VARIETIES OF PLANTS

The main objectives of the Union are:

- To provide and promote an effective system of plant variety protection, with the aim of encouraging the development of new varieties of plants, for the benefit of society;
- to coordinate and facilitate, within the framework of the UPOV Convention, the protection of new varieties of plants by members of the Union.

MAIN ACCOUNTING STANDARDS USED TO COMPILE THE FINANCIAL
STATEMENTS OF UPOV

These financial statements cover the 2008-2009 biennium which ended on December 31, 2009. They were 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 (UNSAS), as defined in the United Nations document A/48/530, dated October 29, 1993, and subsequent amendments to that document.

The financial statements are presented in accordance with those accounting standards, in particular with regard to the following points:

- the continuity of activities, the consistency of methods and the principle of accrual are fundamental accounting conventions. Where these fundamental conventions are respected, no special mention is made. On the other hand, if a fundamental convention is not observed, this is mentioned in the financial statements and the reasons for this are given;
- the choice and application of accounting principles are guided by the principles of prudence, substance over form and materiality;
- all the significant accounting principles used to compile these financial statements are disclosed in a clear and concise manner;
- the expenditure, income, assets and liabilities are entered in the accounts based on the principle of accrual, with the exception of the funds in trust, for which the income is entered in the accounts from the moment that the funds arrive;
- the expenditure includes charges paid or payable as well as obligations towards third parties;
- the Organization's accounts are expressed in Swiss francs;

- the agreed contributions: under Article 8.4 of the Financial Regulations, payments made by a member of the Union are posted firstly as a credit to the Working Capital Fund and then deducted from the contributions payable by that member of the Union in chronological order of the years for which they are due. Contributions received in advance are regarded as liabilities and are entered in the accounts as income for the financial period to which they relate;
- contributions in kind received or due and the corresponding value are not entered in the accounts. The cost of auditing the accounts is a contribution in kind from the Swiss Government, which endorses the greatest part of this expenditure;
- in accordance with the WIPO/UPOV Agreement signed on November 26, 1982, the staff members of UPOV participate in the United Nations Joint Staff Pension Fund, created by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a defined-benefit funded scheme. The Organization's financial obligations to the Fund comprise compulsory contributions at the rate fixed by the United Nations General Assembly and the share of any payment required to cover deficits pursuant to Article 26 of the Fund Regulations. The sums intended to cover deficits must be paid only if the United Nations General Assembly has invoked the provisions of Article 26, after it has been established that the payment of such sums is necessary from the actuarial valuation of the Fund on the date of valuation. At the current time, the payment of such sums has not been considered necessary;
- pursuant to the aforementioned Agreement, UPOV has a contractual obligation to provide benefits for particular categories of staff members at the time of their separation from service. On the basis of an actuarial evaluation carried out in the beginning of 2010 by an independent consultant, this liability was estimated at 0.2 million Swiss francs at the end of 2009;
- UPOV has a contractual obligation to provide post-service medical benefits for its staff members in the form of insurance premiums for the medical and accident insurance plan (after-service health insurance (ASHI)). On the basis of an actuarial evaluation carried out in the beginning of 2010 by an independent consultant, this liability was estimated at 1.0 million Swiss francs at the end of 2009.

Under the current accounting standards (UNSAS), it is not obligatory to cover the aforesaid liability. However, in order to exercise prudent financial management, and in accordance with the decision of the Council (paragraph 47(d) of document C/41/17), a provision amounting to 3% of staff expenditure, in respect of the 2008-2009 biennium, has been created in order to cover part of the aforesaid ASHI liability.

This provision will also prepare for the possible transition from the current accounting standards (UNSAS) to the new accounting standards (International Public Sector Accounting Standards, IPSAS).

The Organizations which form part of the United Nations system have approved the adoption of IPSAS, which are to be applied at the latest in 2010. IPSAS are issued by the International Public Sector Accounting Standards Board, a standing committee of the International Federation of Accountants, representing over 160 member bodies in 120 countries, and are credible, high quality, independently produced accounting standards, underpinned by a strong due process and supported by governments, professional accounting bodies, and international development organizations such as the World Bank, the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and the International Organization of Supreme Audit Institutions. The OECD, European Commission and NATO have recently adopted IPSAS for their financial reporting.

The key benefits of the adoption of IPSAS are commonly considered to include:

- (a) improved internal control and transparency with respect to all assets and liabilities;
- (b) more comprehensive and consistent information about costs and income, which better support governance of the organization;
- (c) improved consistency and comparability of financial situations over time and across different organizations.

The impact of IPSAS adoption on UPOV's accounting and financial reporting would include full recognition of liabilities for employee benefit obligations, such as ASHI, and other accruing compensatory benefits, e.g., annual leave and repatriation grants, valuation of inventories, change in the structure and content of financial reports at all levels and annual, rather than biennial, audit of financial statements.

[Annex B follows]

C/44/4

ANNEX B

AUDITOR'S REPORT

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

**INTERNATIONAL UNION
FOR THE PROTECTION OF
NEW VARIETIES OF PLANTS (UPOV)**

Audit of the 2008–2009 biennium

July 5, 2010

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

Auditor's Report

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS (UPOV)

Audit of the 2008–2009 biennium

The mandate of external auditor of the International Union for the Protection of New Varieties of Plants (UPOV) must be carried out by a member of the highest authority of public financial auditing of the selected country and it is assigned on an individual basis. On the strength of this provision and in accordance with Article 25 of the International Convention of December 2, 1961, revised in 1978, and Article 29(6) of the 1991 Act, the UPOV Council, at its forty-first ordinary session held in Geneva on October 25, 2007, renewed the mandate of the Swiss Government as auditor of the accounts up to and including 2011. The Government of the Swiss Confederation entrusted me, as Director of the Swiss Federal Audit Office ("my Office"), with the auditing of the accounts of UPOV.

My terms of reference are defined in the UPOV Financial Regulations and Rules constituted mutatis mutandis by the Financial Regulations of the World Intellectual Property Organization (WIPO). I carry out my duties autonomously and independently with the help of colleagues from my Office.

My Office carries out external audits of the extrabudgetary accounts in a completely independent manner from its role as the supreme organ of financial supervision of the Swiss Confederation. My Office employs a team of highly qualified professionals with broad experience of audits in international organizations.

For more information, please contact:

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Follow-up to the recommendations made in previous reports	9
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Audit of the 2009 financial statements	13-28
Conclusion	29

Annex: Audit Opinion

Berne, July 5, 2010
Reg. No. 1.10033.946.00335.02
modi/dear

AUDIT SUMMARY

The findings of the audit of the financial statements covering the 2008–2009 biennium of the International Union for the Protection of New Varieties of Plants (UPOV) are on the whole very satisfactory. No major problems were noted and I am able to issue an audit opinion without reservation or comment. The random checks made by my colleagues confirmed that the UPOV accounts are kept properly and in accordance with the Financial Regulations.

REGULATIONS, STANDARDS AND INFORMATION

Financial regulations and subject of audit

1. In addition to the relevant provisions of the various Conventions, the 2008–2009 biennium was governed by the provisions of the UPOV Financial Regulations and Rules, constituted *mutatis mutandis* by the Financial Regulations of WIPO (see Figure 8), as well as by the applicable items in the budget approved by the Council at its forty-first ordinary session, held in Geneva on October 25, 2007 (see paragraph 26 of document C/41/16).
2. The audit relates to entries concerning the 2008–2009 biennium in the income and expenditure accounts, the financial statements and the values appearing in the balance sheet as at December 31, 2009.

Auditing standards, information and acknowledgements

3. The audit was carried out in accordance with the Swiss Auditing Standards published by the Fiduciary Chamber (2004 edition)¹, whilst also observing the additional Terms of Reference forming an integral part of the Financial Regulations of UPOV.
4. The audit was carried out by two qualified colleagues at the Federal Audit Office between May 31 and June 4, 2010.
5. Issues of minor importance were clarified and discussed with the relevant persons during the course of the work and are not commented on in this report.
6. Where checks were made by random sampling, my colleagues selected the samples based on the risks or the relative size of the amounts recorded under the headings examined.
7. Other points requiring improvements were brought to the attention of the Office of the Controller and the Finance Department during the final discussion on June 30, 2010. No major recommendations were made at that time. I have not therefore reproduced the points concerned in this report in order to draw the Council's attention only to the elements which I regard as essential.

¹ These Swiss Auditing Standards are intended to give effect to all International Standards on Auditing (ISA) published on June 30, 2003 by the International Auditing and Assurance Standards Board (IAASB).

8. I wish to express my satisfaction with the obliging manner in which the main persons responsible for keeping the UPOV accounts, namely Mr. P. Favatier, Chief Financial Officer (Controller), and Mrs. Janice Cook-Robbins, Head, Finance Services, and their staff, provided all the information and documents required for my work to be completed.

FOLLOW-UP TO THE RECOMMENDATIONS MADE IN PREVIOUS REPORTS

9. The recommendation contained in Figure 33 of my 2006–2007 report and Recommendation No. 3/2004–2005 concerning the level of the Reserve Fund (see Figures 20 and 21) are both regarded as implemented.

INTERNAL CONTROL SYSTEM (ICS)

An internal control system essentially dependent on the administrative services of WIPO

10. My colleagues did not check the existence of the Internal Control System (ICS) within UPOV with reference to Swiss Auditing Standard AS 890, since they had just carried out that check at WIPO as part of the audit of its accounts for the 2008–2009 biennium. The ICS assessment was based on the following factors:

- Control environment
- Information and communication
- Monitoring
- Risk assessment and control activities

Taking into account UPOV's privileged relations with WIPO as regards administrative management, the assessment made within WIPO is also valid for UPOV at the current time. My colleagues therefore simply noted the existence of an ICS for finance matters within UPOV through WIPO.

2009 BUDGET IMPLEMENTATION AUDIT

Budget implementation: a positive result for the financial period above budget

11. The final budget for the 2009 financial year adopted by the Council, as well as the accounts for the 2009 financial year as presented in the 2009 Financial Management Report, can be summarized as follows:

	Budget (SFR)	Accounts (SFR)
Total income	6,754,000	6,771,487
Total expenditure	(6,605,000)	(6,381,117)
Result	149,000	390,370

12. With regard to budget implementation, I refer to the comments made by the Secretary-General in the Financial Management Report. Explanations concerning the main variations between the budget and actual figures are contained in chapter 1.4. In general, it should be noted briefly that the operating revenue was slightly higher than expected (+0.26 per cent), while actual expenditure was nearly 224,000 Swiss francs lower than the budgeted amount.

AUDIT OF THE 2009 FINANCIAL STATEMENTS

Key figures from the 2008–2009 financial statements: confirmation of a healthy financial situation

13. The table below gives a comparison of several key values from the balance sheets for 2007 and 2009. Whilst I will not comment on these values here, in the paragraphs below I will make more detailed and specific comments on certain accounts included on the 2009 balance sheet.

Item	December 31, 2007	December 31, 2009
Balance sheet total	2,385,874	2,365,306
Result of the financial period	546,456	390,370
Liquid assets (including investments)	2,200,608	2,237,177
Foreign funds	990,097	439,954
Provisions	235,993	367,696
Reserve Fund	646,858	1,037,229
Working Capital Fund	512,926	520,427

Liquid assets: movements of funds justified

14. The balance of the treasury account as at December 31, 2009 was compared with that indicated on the statement issued by the bank. My colleagues checked, by random sampling, the movements of liquid funds recorded in this account during the accounting period. The checks made confirmed the regularity of the operations audited. The document entitled “Confirmation of business relationship” was duly completed by UBS in accordance with Swiss Auditing Standard AS 505.

Investments: cash investments made with the Swiss Confederation

15. The two accounts relating to long-term investments made with the Swiss Confederation were checked by random sampling. Their closing balances corresponded to the accounting documents issued by the Federal Finance Administration. The overall balance of the two accounts increased by around 166,000 Swiss francs to total 2,092,000 Swiss francs.

Member State receivables: a decrease in outstanding debts

16. The debts owed by Member States decreased significantly (around 107,000 Swiss francs) during the 2008–2009 biennium and amounted to less than 60,000 Swiss francs at the end of the accounting period. It should be noted that Nicaragua alone owes UPOV some 46,000 Swiss francs for 2005 to 2009. Considering this amount as “immaterial”, I have not asked for it to be entered in the accounts as a specific arrears account.
17. The Member State contributions for the 2008–2009 biennium were slightly higher (21,454 Swiss francs or 0.33 per cent) than the amount for the 2006–2007 biennium. They amount to 6,506,636 Swiss francs. The increase in the net value of the contributions is explained by the entry as paying members of Turkey (in 2008) and Georgia (in 2009) and by a reduction in the contribution of Portugal since 2009. The audit conducted by my colleagues of the income entered in the accounts confirmed the accuracy and completeness of those entries. At the closure of the accounts, the contributions paid in advance for 2010 total around 200,000 Swiss francs.

Liaison accounts: presentation to be reviewed

18. I note that the balances of the liaison accounts are included under the headings “miscellaneous accounts receivable” and “miscellaneous accounts payable” of the balance sheet included in the UPOV financial statements. Given that WIPO is migrating to the International Accounting Standards for the Public Sector (IPSAS) and in view of the close relations between UPOV and WIPO as regards administrative management, I suggest that UPOV should present the balances of each liaison account on a separate line on the balance sheet (one on the assets side and the other on the liabilities side), even if UPOV were to postpone its migration to IPSAS or not migrate at all. For that reason, I have not made a formal recommendation on this matter today.

Provisions: probable costs anticipated

19. The provision for separation from service and medical benefits after separation from service accounts for 98 per cent of the sum allocated as provisions on the balance sheet (367,696 Swiss francs). This sum increased by some 123,000 Swiss francs during the biennium under review. This increase in the provision corresponds to the allocation of three per cent of staff expenditure to the provision for separation from service costs in accordance with the Council’s decision on that matter, approved at its meeting held on October 25, 2007 (document C/41/16, para. 26). It should be noted that an amount equivalent to six per cent was allocated during the 2006–2007 biennium.

Reserve Fund and Working Capital Fund: long-term resources for the Union

20. Taking into account the transfer of the operating profit from the 2008–2009 accounting year (390,000 Swiss francs), the Reserve Fund now stands at some 1,037,000 Swiss francs as at the end of the financial period under review. This value represents 16.25 per cent of the operating expenditure entered in the accounts, which is higher than the projections set out in paragraph 3 of Council document C/41/4, dated August 31, 2007, in which the Reserve Fund was estimated at 800,000 Swiss francs or 12.1 per cent of the budgeted expenditure. However, I note that the current rate of coverage of the operating costs is still below the targets set by the Council, which approved the

recommendation for a Reserve Fund representing 20 per cent of budgeted expenditure (document C/41/16, para. 26(f)).

21. The rate of 16.25 per cent mentioned above does not take into account the amount of the Working Capital Fund which is just over 520,000 Swiss francs following the increase of 7,501 Swiss francs recorded during the biennium. Added together, the Reserve Fund and the Working Capital Fund stand at 1,557,000 Swiss francs today, which is 234,000 Swiss francs more than the Council estimated in autumn 2007.

Salary costs: a moderate increase to 1.68 per cent

22. My colleagues reviewed several income and expenditure accounts. They checked, by random sampling, various entries against the accounting documents and bank statements available. Their detailed checks revealed no significant errors worth mentioning. I will merely make the following three points for information purposes.
23. Given that staff expenditure accounts for the largest proportion of UPOV's operating costs, I entrusted my colleagues with the task of checking several staff files. They compared the files with the salaries paid to staff members at grades D, P and G. The files checked did not give rise to any particular comments. The salaries paid corresponded to the individual terms and conditions applicable to the staff members concerned.
24. I note that staff costs amount to 4,369,000 Swiss francs, which represents an increase in costs of 72,000 Swiss francs or 1.68 per cent compared to the previous biennium. I note, however, that the expenditure entered in the accounts under account No. 71014 ("overtime and refreshment") was over 60,000 Swiss francs during the period under review. Although this amount is not necessarily significant compared to the overall expenditure, I note that the source of this sum is overtime paid to four staff members, two of whom each received more than 20,000 Swiss francs during the accounting year.
25. The expenditure allocated to staff missions totals some 445,000 Swiss francs, while the budgeted amount was 300,000 Swiss francs. The difference compared to the budgeted amount can be explained mainly by requests for advice and assistance which were underestimated when the budget was prepared. The numerous random checks made by my colleagues in the accounting documents confirm that the costs associated with these missions were relevant.

Funds-in-trust (FIT): reconciled amounts

26. The assets and liabilities relating to the Funds-in-Trust appear in accounts separate from those of UPOV. The financial statements relating thereto are presented in chapter 4 of the UPOV Financial Management Report under the heading "Extrabudgetary funds".
27. The contribution made by the provider of funds is paid into a separate bank account. The balance of this account as at December 31, 2009 corresponded to the one shown in the statement and certificate issued by the bank.

The new UPOV Financial Regulations in the process of being validated

28. Various substantive amendments have been made to the WIPO Financial Regulations, on which the UPOV Financial Regulations are based. Taking that into account, UPOV intends to revise its Regulations. To that end, it has prepared the provisional document “UPOV/INF/4/1 Draft 3” with two annexes dated February 15, 2010. This document is currently still at the draft stage. The new Regulations are due to be validated by the UPOV Council in October 2010.

CONCLUSION

29. As a result of the work done, I am able to issue the audit opinion annexed to this report and drawn up in accordance with paragraph 5 of the Terms of Reference Governing Audit.

[signed in the French original]

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

Annex: Audit opinion

Annex No. 1 to 1.10033.946.00335.02

AUDIT OPINION

I have examined the financial statements presented in the Financial Management Report of the International Union for the Protection of New Varieties of Plants (UPOV) for the financial period ending on December 31, 2009. The audit was completed on June 4, 2010. The establishment 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.

In accordance with the UPOV Financial Regulations, constituted mutatis mutandis by the WIPO Regulations, I conducted my audit in accordance with the Swiss Auditing Standards published by the Fiduciary Chamber (2004 edition)². 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 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.

In my opinion, the financial statements give a satisfactory account, on all essential points, of the financial position on December 31, 2009, 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 2008–2009 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.

Pursuant to paragraph 6 of the Terms of Reference Governing External Audit annexed to the WIPO Financial Regulations, I have also drawn up a detailed report on my auditing of the financial statements of UPOV, which is dated July 5, 2010.

Berne, July 5, 2010

[signed in the French original]

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

[End of Annex B and of document]

² These Swiss Auditing Standards are intended to give effect to all International Standards on Auditing (ISA) published on June 30, 2003 by the International Auditing and Assurance Standards Board (IAASB).