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UPOV

INTERNATIONALER VERBAND
ZUM SCHUTZ VON
PFLANZENZÜCHTUNGEN

UNION INTERNATIONALE
POUR LA PROTECTION
DES OBTENTIONS VÉGÉTALES

INTERNATIONAL UNION
FOR THE PROTECTION OF
NEW PLANT VARIETIES

COUNCIL

Fourth Session
Geneva, October 28 and 29, 1970

LETTER DATED JULY 23, 1970, FROM THE FEDERAL FINANCIAL
CONTROL BOARD, BERNE, TO PROFESSOR G.H.C. BODENHAUSEN

We have the honor to send you herewith, for the attention of the Council of UPOV, three copies of the report on our auditing of the accounts and balance sheet of the Union, in accordance with Article 24 of the 1961 Convention for the Protection of New Varieties of Plants. We take the liberty of drawing your attention to the recommendation and the suggestion made under 3.6, Working Capital Fund (see pages 6 to 7 of this report).

In addition, we are pleased to note that the report reveals the accuracy of the documents examined.

REPORT

ON THE AUDITING OF THE ACCOUNTS AND BALANCE SHEET OF UPOV,
EFFECTED IN GENEVA ON JUNE 18, 1970

I. GENERAL

1. Mandate

In accordance with Article 24 of the Convention for the Protection of New Varieties of Plants of December 2, 1961, which entered into force on August 10, 1968, we carried out

the first auditing of the accounts for the 1969 financial year and the balance sheet as at December 31, 1969, at the headquarters of the Office of the International Union for the Protection of New Plant Varieties (hereinafter UPOV) in Geneva.

2. Information

We were obligingly supplied with all the necessary information by Mr. A. Jaccard, Head of the Finance Section of the United International Bureaux for the Protection of Intellectual Property (BIRPI), which is responsible for the accounts of UPOV. We also had the opportunity to discuss a number of topics with Mr. B.A. Armstrong, Counsellor, who gave us a warm reception.

3. Member States of the Union

Of the eight States which signed the Convention for the Protection of New Varieties of Plants, four have already deposited instruments of ratification, namely: Denmark, Germany (Federal Republic), the Netherlands and the United Kingdom. These four States therefore constitute the member States of the Union.

4. Administrative and Financial Regulations

Article 20(2) of the Convention provides that UPOV adopts the administrative and financial regulations of the Union, after having consulted the Government of the Swiss Confederation, and that the Swiss Government ensures that they are carried out. In addition, Article 25 of the Convention provides that the procedures for technical and administrative cooperation between UPOV and the Unions administered by BIRPI are to be determined by rules established by the Government of the Swiss Confederation in agreement with the Unions concerned.

With regard to the Administrative Regulations on one hand and the Financial Regulations on the other, these were adopted by the Council of UPOV at its third session, held at the headquarters of BIRPI in Geneva on October 8 and 9, 1969. They are constituted, mutatis mutandis and subject to the provisions of various articles, by the Staff Regulations and Staff Rules of BIRPI in the case of the former, and by the Financial Regulations and the Rules Implementing the Financial Regulations of BIRPI in the case of the latter, as established on October 21, 1969, including such amendments as may be made to the respective Regulations and Rules. As for the Regulations Concerning the

Procedures for Technical and Administrative Cooperation Between the Union for the Protection of New Varieties of Plants and the Unions Administered by BIRPI, these were established by the Federal Council on October 21, 1969. These Regulations determine, inter alia, in Rule 7, the extent to which BIRPI is to provide for the needs of the Office of UPOV in respect of financial administration and, in Rule 8, the manner in which UPOV is to indemnify BIRPI for the services rendered by it in terms of the said Rule 7.

5. Organization of Accounting and Bank Accounts

An accounting plan has been established, the numbering of which is different from the BIRPI accounting plan in view of the fact that UPOV exercises its activity independently of BIRPI. With regard to bank accounts, two accounts have been opened at the Swiss Bank Corporation in Geneva which are reserved exclusively for operations relating to UPOV.

II. 1969 BUDGET AND ACCOUNTS

1. 1969 Budget and Results of the 1969 Financial Year

The budget for expenditure for the 1969 financial year, which amounted to 168,000.-- francs, was approved by the Council of UPOV at its third session. The total amount of this budget was equal to that of the contributions which the member States had undertaken to pay.

The results of the financial year are as follows, taking into account the fact that unpaid contributions or portions of contributions are entered as income:

Income	168,000.--	francs
Expenditure	19,939.75	francs
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Excess of Receipts over Expenditure	148,060.25	francs
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The latter amount was entered as follows:

Transfer to Working Capital Fund in accordance with the decision of the Council of UPOV	130,000.-- francs
Transfer to Reserve Fund in terms of Article 5(a) of the Financial Regulations	18,060.25 francs
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	148,060.25 francs
	=====

2. Accounts

2.1 Income

Income in 1969 consisted primarily in the payment of contributions by the four member States, these contributions being based on the number of units of the class to which each State chose to belong (Article 26 of the Convention). The figures relating to the annual contributions, such as they feature in the 1969 financial report, are in conformity with those entered in the accounts (see Annex 1). We have verified the accuracy of the calculation of contributions due, the payments effected by the States mentioned above and the accounting entries relating thereto. According to the bank statement submitted, the first payment was received on November 1969 (value date). We should point out that, since the United Kingdom has paid only part of its contribution of 70,000 francs, namely 41,660.-- francs, the outstanding balance, amounting to 28,340.-- francs, has been entered to a debit account.

2.2 Expenditure

The figures contained in the 1969 financial report agree with those revealed by the accounts (see Annex 1). On the basis of evidentiary documents, we verified all payments effected and the entries relating thereto, including the expenditure of the BIRPI Treasury in 1969 prior to the opening of the special UPOV accounts. This expenditure, which amounted to 6,474.95 francs, related to conference costs. They were refunded to BIRPI by UPOV. Expenditure also includes the amount of 10,000.-- francs paid to BIRPI for services rendered, in accordance with the 1969 budget.

3. Balance Sheet as at December 31, 1969

We verified the balance sheet as at December 31, 1969, which features in the financial report, and found it to be in conformity with the figures revealed by the accounts (see Annex 2). As for the different items in the balance sheet, we submit the following observations as an addition to the financial report:

ASSETS

3.1 Banks

The balances were justified by statements and other bank documents submitted to us. With regard to cash assets at the bank on the date of the audit, we requested an attestation from the Swiss Bank Corporation to the effect that the credit balances in the UPOV accounts on its books were fully disposable and that there were no reservations in favor of third parties. We also made a thorough check on internal bank operations and established that the annual rate of interest granted by the bank on the amount of 120,000.-- francs transferred to the six-month time deposit was 5½%.

3.2 Contributions

The amount of 28,340.-- francs represents the outstanding balance of the contribution of the United Kingdom.

3.3 Advance Payment

This is the advance payment of the cost of a mission abroad which could not be carried out before early 1970.

LIABILITIES

3.4 Credit Brought Forward

This operation involves the total salary of the Secretary General of UPOV for the period from October 21 and December 31, 1969, including the Organization's contribution to the Pension Fund.

3.5 Reserve Fund

The value of the Reserve Fund corresponds to the difference between income and expenditure, after the transfer of the

amount of 130,000.-- francs to the Working Capital Fund. This difference was paid into the Reserve Fund in accordance with Article 5(a) of the Financial Regulations.

3.6 Working Capital Fund

In view of the fact that the Financial Regulations of UPOV provide for the creation of a Working Capital Fund, the Council decided, at its third session, held in Geneva on October 8 and 9, 1969, to assign a large portion of the 1969 contributions to the constitution of the fund. To this end an amount of 130,000.-- francs, corresponding to the amount in the 1969 budget, was entered in the balance sheet. This method of presenting the position of the Working Capital Fund leads us to make the following recommendation and suggestion, which have also been made verbally to the Head of the Finance Section:

In consideration of the purpose for which it was created, in terms of Article 8(3) of the Financial Regulations, the entire assets of the Working Capital Fund must be fully disposable at all times. In our opinion, therefore, an amount which is not fully covered by immediately disposable capital cannot be entered in the balance sheet as a debit item under this heading. Cash amounts placed in a demand deposit or in a six-month time deposit - the latter may also be withdrawn immediately if necessary - are the only ones which are immediately disposable. The total of those amounts would be not 130,000.-- francs but 121,039.55 francs only. The difference of 8,960.45 would be covered by part of the outstanding contributions, that is by receipts which have not been collected.

In order to have a clearer overall view of the situation, we would recommend a more explicit presentation of the position of the Working Capital Fund, for instance:

Working Capital Fund:
advances from member States
(or, if applicable, creditor
States)

Withdrawals effected (and to be refunded, in accordance with the Regulations)	8,960.45	francs
Amount available	<u>121,039.55</u>	francs
	130,000.--	francs
	=====	

The additional mention of "advances from member States" clearly indicates that these advances have been credited to the States which made them, as prescribed by Article 8(1) of the Financial Regulations. In the case in point, therefore, those States have become creditors of the amounts withdrawn from their ordinary contributions to be paid into the Working Capital Fund.

We would further suggest that the financial report be supplemented with a table indicating the amount of each State's share in the Working Capital Fund; such shares should be proportional to that of their individual contributions.

III. CONCLUSIONS

On the basis of our examination, we are in a position to certify:

- (a) that the financial documents reproduced in the 1969 financial report correspond to the accounts of the Organization, and that the entries in the latter are in conformity with the evidentiary documents;
- (b) that the financial operations recorded in the accounts have been carried out in accordance with the provisions applicable thereto;
- (c) that the existence of funds deposited at the bank has been confirmed by that bank;
- (d) that the accounts have been carefully maintained and the accounting documents kept in an orderly fashion.

Berne, July 23, 1970

(signed)
P. Pignet
Assistant to the
FEDERAL FINANCIAL CONTROL BOARD

- Annexes:
1. Statement of income and expenditure during the 1969 financial year.
 2. Balance Sheet as at December 31, 1969.

Annex 1

Accounts for the
1969 Financial Year

Income: Annual Contributions

Denmark	14,000.--	francs
Germany (Federal Republic)	70,000.--	francs
Netherlands	14,000.--	francs
United Kingdom	70,000.--	francs
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	168,000.--	francs
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Expenditure

Personnel	2,902.80	francs
Conferences	6,474.95	francs
Printing	562.--	francs
Joint expenses	10,000.--	francs
	<hr/>	
		<u>19,939.75</u> francs
Difference		148,060.25 francs
		=====

Annex 2

Balance Sheet as at
December 31, 1969

ASSETS

Bank - current account	1,039.55	francs
Bank - six-month deposit	120,000.--	francs
Contributions	28,340.--	francs
Payment of Advances	1,583.50	francs
	<hr/>	
	150,963.05	francs
	=====	

LIABILITIES

Credit brought forward	2,902.80	francs
Reserve Fund	18,060.25	francs
Working Capital Fund	130,000.--	francs
	<hr/>	
	150,963.05	francs
	=====	