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INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
GENEVA

COUNCIL

Fortieth ordinary session
Geneva, October 19, 2006

FINANCIAL SITUATION OF THE INTERNATIONAL UNION FOR THE PROTECTION
OF NEW VARIETIES OF PLANTS AS AT DECEMBER 31, 2005

Memorandum by the Secretary-General

SUMMARY

This document sets out the finances of the Union as at December 31, 2005, and reproduces the Auditor's Report on the accounts for the 2004-2005 financial period.

1. Financial results for the 2004-2005 biennium

The financial results for the 2004-2005 biennium are as follows:

	<u>Francs*</u>
Income	6 043 317
Expenditure	<u>6 026 219</u>
Excess income	<u>17 098</u>

In accordance with Article 5 of the UPOV Financial Regulations, the excess income of 17,098 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, 2005 (Annex A.2 of this document), the Working Capital Fund stands at 464,591 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	Lithuania	1 667
Australia	8 333	Mexico	6 250
Austria	12 500	Netherlands	24 999
Azerbaijan	1 667	New Zealand	8 333
Belarus	1 667	Nicaragua	1 667
Belgium	8 333	Norway	8 333
Bolivia	1 667	Panama	1 667
Brazil	2 083	Paraguay	1 667
Bulgaria	1 667	Poland	4 167
Canada	8 333	Portugal	4 167
Chile	1 667	Republic of Korea	6 250
China	4 167	Republic of Moldova	1 667
Colombia	1 667	Romania	1 667
Croatia	1 667	Russian Federation	4 167
Czech Republic	4 167	Singapore	1 667
Denmark	8 333	Slovakia	4 167
Ecuador	1 667	Slovenia	1 667
Estonia	1 667	South Africa	8 333
Finland	8 333	Spain	12 500
France	41 667	Sweden	8 333
Germany	41 667	Switzerland	8 333
Hungary	4 167	Trinidad and Tobago	1 667
Ireland	8 333	Tunisia	1 667
Israel	4 167	Ukraine	4 167

* 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).

Italy	16 666		United Kingdom	41 667
Japan	41 667		United States of America	41 667
Jordan	1 667		Uruguay	1 667
Kenya	1 667		Uzbekistan	1 667
Kyrgyzstan	1 667			
Latvia	1 667		Total :	<u>464 591</u>

3. Base 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 2004 and 2005 was based on the following number of units (in this regard, see the 2004-2005 budget (documents C/37/4 and C/37/21)):

- 5 units for France
- 5 units for Germany
- 5 units for Japan
- 5 units for the United States of America

- 3 units for the Netherlands

- 2 units for Italy
- 2 units for Spain
- 2 units for the United Kingdom

- 1.5 units for Austria
- 1.5 units for Belgium
- 1.5 units for Denmark
- 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

- 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

- 0.25 units for Brazil

- 0.2 units for Azerbaijan (for 2005)
- 0.2 units for Belarus
- 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 Jordan (for 2005)
0.2 units for Kenya
0.2 units for Kyrgyzstan
0.2 units for Latvia
0.2 units for Lithuania
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 Singapore (for 2005)
0.2 units for Slovenia
0.2 units for Trinidad and Tobago
0.2 units for Tunisia
0.2 units for Ukraine
0.2 units for Uruguay
0.2 units for Uzbekistan (for 2005)

Total : 54.15 units for 54 member States (for 2004)
 54.95 units for 58 member States (for 2005)

4. Purpose of the International Union for the Protection of New Varieties of Plants

The main objectives of the Union are:

- to promote the protection of new varieties of plants at the world level through a better understanding of the technical and legal aspects of this protection within the context of economic and social development based on modern techniques and through the provision of technical assistance;
- to coordinate and facilitate, within the framework of the UPOV Convention, the protection of new varieties of plants by member States of UPOV; to recognize the needs and priorities of member States and to respond to those needs and priorities by enabling member States to make their voice heard and by helping them to make decisions.

5. Main accounting standards used to compile the financial statements of UPOV

These financial statements cover the 2004-2005 biennium which ended on December 31, 2005. 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 United Nations document A/48/530, dated October 29, 1993.

These 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 9.4 of the Financial Regulations, payments made by a member State are posted firstly as a credit to the Working Capital Fund and then deducted from the contributions payable by that member State 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.

6. Annexes

Annex A to this document contains:

- A.1 - comparison of the budget and accounts for the 2004-2005 financial period, followed by explanatory notes, expenditure by sub-program and a funding plan for the 2004-2005 biennium;
- A.2 - balance sheet as at December 31, 2005;
- A.3 - contributions of member States;
- A.4 - comparison of income and expenditure for the 2002-2003 biennium and 2004-2005 biennium;
- A.5 - amounts of the contributions due and unpaid working capital as at December 31, 2005;
- A.6 - comparison of the balance sheet as at December 31, 2003 with the balance sheet as at December 31, 2005;
- 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);

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

6. The Council is invited to examine and approve the accounts for the 2004-2005 financial period.

[Annex A.1 follows]

ANNEX A.1

Comparison of the budget and accounts for the 2004-2005 financial period

		Budget	Accounts
Income			
Contributions		5 871 000	5 852 220
Publications		68 000	73 251
Interest	(i)	23 000	61 588
Other		54 000	56 258
Total income		6 016 000	6 043 317
Expenditure			
Staff costs		4 112 000	4 158 657
Staff missions	(i)	300 000	189 484
Third-party visits	(i)	40 000	14 344
Conferences	(ii)	80 000	98 386
Publications		61 000	61 270
Other contractual services	(iii)	60 000	106 510
Premises and maintenance		180 000	184 787
Communications and other expenses		1 200 000	1 188 141
Furniture and equipment		5 000	4 524
Supplies	(iv)	10 000	20 116
Total expenditure		6 048 000	6 026 219
Results			
(Deficit)/excess income transferred from/to the Reserve Fund		(32 000)	17 098
Overall result		6 016 000	6 043 317

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

Explanation of the main variations between the budget and the accounts

Income

(i) Interest

The funds deposited with the Swiss Confederation were greater than expected and generated excess interest of 38,588 francs.

Expenditure

(i) Staff missions and third-party visits

The savings of 110,516 francs and 25,656 francs respectively, are the result of a reduction in the number of staff missions and conferences.

(ii) Conferences

The excess expenditure of 18,386 francs is explained by the fact that interpreting services were required for longer than anticipated.

(iii) Other contractual services

The cost of outside translation, higher than anticipated, explains the deficit of 46,510 francs.

(iv) Supplies

The excess expenditure of 10,116 francs is due mainly to stationery purchases and to a higher number of subscriptions than expected.

Expenditure by sub-program for the 2004-2005 financial period
(in thousands of francs)

Sub-program	UV.01	UV.02	UV.03	UV.04	Total
Staff costs	716	1 893	1 033	517	4 159
Staff missions	8	71	58	53	190
Third-party visits	-	-	14	-	14
Conferences	32	63	3	-	98
Publications	-	61	-	-	61
Other contractual services	-	106	-	-	106
Premises/maintenance	-	185	-	-	185
Communications/other expenses	-	1 188	-	-	1 188
Furniture/equipment	-	5	-	-	5
Supplies	10	5	2	3	20
Total	761	3 579	1 112	574	6 026

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

UV.02 Improvement of services provided to members of the Union/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 2004-2005 financial biennium

	Ordinary budget		Extrabudgetary resources*		Total funding	
	Budget	Accounts	Funds in trust		Budget	Accounts
	Budget	Accounts	Budget	Accounts	Budget	Accounts
Expenditure	6 048 000	6 026 219	349 000	340 638	6 397 000	6 366 857
Income	6 016 000	6 043 317	349 000	523 627	6 365 000	6 566 944
+ / (-) Transfer to/from funding balance	32 000	(17 098)	-	(182 989)	32 000	(200 087)
Total funding amount	6 048 000	6 026 219	349 000	340 638	6 397 000	6 366 857

[Annex A.2 follows]

* Extrabudgetary 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, 2005

Assets		Liabilities			
			Contributions received in advance	410 126	
Liquid assets :			<u>Liaison accounts:</u>		
Current account	737 670		World Intellectual Property Organization (WIPO)	765 150	
Trust account	<u>1 030 573</u>	1 768 243	Funds in trust	<u>142 972</u>	908 122
Outstanding contributions and Working Capital Fund		159 036	Miscellaneous accounts payable		14 794
Miscellaneous accounts receivable		513	<u>Reserve Fund:</u>		
			Balance carried forward from December 31, 2003	83 304	
			Excess income for 2004-2005	<u>17 098</u>	100 402
Transitional assets account		601	Working Capital Fund		464 591
			Provision for separation from service		30 358
		1 928 393			1 928 393

[Annex A.3 follows]

ANNEX A.3

Contributions of Member States/Organizations

Member States/Organizations	Contribution units	Amounts payable:		Date of accession to UPOV
		January 2004	January 2005	
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
Azerbaijan	0.2	-	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	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
Jordan	0.2	-	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
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	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	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
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
Ukraine	0.2	10 728	10 728	3/11/1995

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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	14/11/2004
Total		2 904 654	2 947 566	

i.e. 58 member States (including 54 contributors for 2004 and 58 for 2005)

Member States/Organizations	Date of accession to UPOV
Albania*	15/10/2005
European Community*	29/7/2005

i.e. 60 member States/organizations (as at December 31, 2005)

[Annex A.4 follows]

* Contribution payable from January 2006 onwards.

ANNEX A.4

Comparison of income and expenditure between the 2002-2003 biennium
and the 2004-2005 biennium

	2002-2003 biennium	2004-2005 biennium
Income		
Contributions	5 833 448	5 852 220
Publications	66 648	73 251
Interest	92 648	61 588
Other	42 617	56 258
Total income	6 035 361	6 043 317
Expenditure		
Staff costs	4 306 541	4 158 657
Missions	291 017	189 484
Third-party visits	87 114	14 344
Conferences	123 128	98 386
Consultants	299 811	-
Publications	64 932	61 270
Other contractual services	106 517	106 510
Premises and maintenance	192 010	184 787
Communications and other expenses	1 619 633	1 188 141
Furniture and equipment	421	4 524
Supplies	34 254	20 116
Total expenditure	7 125 378	6 026 219
Results		
(Deficit)/excess income transferred from/to the Reserve Fund	(1 090 017)	17 098
Overall result	6 035 361	6 043 317

[Annex A.5 follows]

ANNEX A.5

Amounts of the contributions due and unpaid working capital as at December 31, 2005

Member State*	No arrears/year(s) of arrears	Amount of arrears in francs	
Argentina	No arrears		
Australia	No arrears		
Austria	2005 contribution		80 462
Azerbaijan	2005 contribution	10 728	
	Working Capital Fund	<u>1 667</u>	12 395
Belarus	No arrears		
Belgium	No arrears		
Bolivia	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		
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		
Jordan	2005 contribution (balance)		1 667
Kenya	No arrears		
Kyrgyzstan	No arrears		
Latvia	No arrears		
Lithuania	No arrears		
Mexico	No arrears		
Netherlands	No arrears		
New Zealand	No arrears		
Nicaragua	2005 contribution (balance)		10 487
Norway	No arrears		
Panama	No arrears		
Paraguay	2005 contribution (balance)		385
Poland	No arrears		
Portugal	2004 contribution	26 820	
	2005 contribution	<u>26 820</u>	53 640
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		
Ukraine	No arrears		
United Kingdom	No arrears		

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United States of America	No arrears		
Uruguay	No arrears		
Uzbekistan	No arrears		
Total			159 036

* Only member States that have contributed for 2004 and 2005, or for 2005, appear in this list.

[Annex A.6 follows]

ANNEX A.6

Comparison of the balance sheet as at December 31, 2003
with the balance sheet as at December 31, 2005

	December 31, 2003	December 31, 2005
ASSETS		
<u>Liquid assets</u>		
UBS S.A., current account	310 846	737 670
Swiss Confederation, trust account	570 763	1 030 573
<u>Liaison accounts</u>		
Funds in trust	36 167	-
<u>Accounts receivable</u>		
Contributions and Working Capital Fund shares outstanding	150 540	159 036
Miscellaneous debtors	-	513
<u>Transitional assets account</u>	305	601
	1 068 621	1 928 393
LIABILITIES		
<u>Liaison accounts</u>		
WIPO	150 242	765 150
Funds in trust	-	142 972
<u>Accounts payable</u>		
Advance payments of contributions and Working Capital Fund shares	375 266	410 126
Miscellaneous creditors	7 047	14 794
Funds in trust	-	-
Unliquidated obligations	4 007	-
Provisions	-	30 358
Reserve Fund	83 304	100 402
Working Capital Fund	448 755	464 591
	1 068 621	1 928 393

Note: With effect from the 2004-2005 biennium, the funds in trust are presented as independent accounts (Annex A.7). In order to take this change into account and to allow a comparison between the balance sheets, the balance sheet as at December 31, 2003 has been adjusted.

[Annex A.7 follows]

ANNEX A.7

Extrabudgetary funds (funds in trust)

The funds in trust allocated by member States are presented below as independent accounts.

Balance sheet

(as at December 31, 2005)

Assets	Francs
<i>Liquid assets</i>	
Bank account (UBS S.A.)	296 511
<i>Advances</i>	
UPOV liaison account	142 972
Request for refund of advance tax	177
	143 149
Total	439 660

Liabilities	Francs
<i>Due</i>	
WIPO liaison account	208 771
Funds in trust (according to breakdown below)	230 889
Total	439 660

Income and expenditure for the 2004-2005 biennium

(as at December 31, 2005)

Funds in trust/Japan		
Balance, start of financial period		47 899
<i>Income</i>		
Funds received	522 900	
Interest	718	
Currency exchange adjustments	10	523 628
<i>Expenditure</i>		
Staff missions	81 720	
Third-party visits	166 159	
Conferences	52 874	
Communications and other expenses	696	
Total direct expenditure	301 449	
Administrative costs	39 189	(340 638)
Funds available, end of financial period		230 889

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]

ANNEX A.8

Comparative table 1Statement of income and expenditure
and changes in the Reserve Fund and Working Capital Fund balances

for the period ending December 31, 2005
(expressed in thousands of Swiss francs)

<u>Heading</u>	<u>General Fund (and related funds)</u>	
	<u>Total</u>	
	Period 2004-05	Period 2002-03
INCOME		
Contributions	5 852	5 833
Other/miscellaneous income		
Revenue producing activities	129	109
Funds received under inter-organization arrangements	-	-
Bank interest	62	93
Currency exchange adjustments	-	-
Other/miscellaneous	-	-
TOTAL INCOME	6 043	6 035
EXPENDITURE	6 026	7 125
TOTAL EXPENDITURE	6 026	7 125
EXCESS INCOME OVER EXPENDITURE	17	(1 090)
Transfers to Reserve Fund	17	-
Transfers from Reserve Fund	-	(1 090)
Transfers to Working Capital Fund	16	13
Other adjustments	-	-
Reserve and Working Capital Fund balances at beginning of period	532	1 609
RESERVE AND WORKING CAPITAL FUND BALANCES, END OF PERIOD	565	532

[Annex A.9 follows]

ANNEX A.9

Comparative table 2Statement of assets, liabilities and Reserve and Working Capital Fund balances

as at December 31, 2005
(expressed in thousands of Swiss francs)

<u>Heading</u>	<u>General Fund (and related funds)</u>	
	<u>Total</u>	
	<u>Period 2004-05</u>	<u>Period 2002-03</u>
ASSETS		
Cash and term deposits	1 768	966
Accounts receivable		
Contributions and Working Capital Fund shares receivable from member States	159	151
Other	1	-
Other assets		
Land and buildings		
TOTAL ASSETS	1 928	1 117
LIABILITIES		
Contributions received in advance	410	376
Unliquidated obligations	-	4
Accounts payable		
Inter-organization fund balances	908	198
Other	15	7
Other funds and special accounts	30	-
TOTAL LIABILITIES	1 363	585
RESERVE AND WORKING CAPITAL FUND BALANCES		
Reserve Fund at end of period	100	83
Working Capital Fund at end of period	465	449
TOTAL RESERVE AND WORKING CAPITAL FUND BALANCES	565	532
TOTAL LIABILITIES, RESERVE AND WORKING CAPITAL FUND BALANCES	1 928	1 117

[Annex A.10 follows]

ANNEX A.10

Comparative table 3Statement of cashflow

as at December 31, 2005
(expressed in thousands of Swiss francs)

	Period 2004-05	Period 2002-03
CASHFLOW FROM OPERATING ACTIVITIES		
Net excess (shortfall) of income over expenditure	17	(1 090)
(Increase) decrease in contributions payable	(8)	(13)
(Increase) decrease in other accounts receivable	(1)	5
Increase (decrease) in contributions or payments received in advance	34	167
Increase (decrease) in unliquidated obligations	(4)	(13)
Increase (decrease) in accounts payable	8	3
less: interest income	(62)	(93)
plus: financial charges	2	6
NET CASHFLOW FROM OPERATING ACTIVITIES	(14)	(1 028)
CASHFLOWS FROM INVESTMENT AND FINANCING ACTIVITIES		
(Increase) decrease in inter-fund balances receivable*	-	-
Increase (decrease) in inter-fund balances payable*	710	(691)
Increase (decrease) in fund and special account balances	46	13
plus: interest income	62	93
less: financial charges	(2)	(6)
NET CASHFLOW FROM INVESTMENT AND FINANCING ACTIVITIES	816	(591)
CASHFLOW FROM OTHER SOURCES	-	-
NET CASHFLOW FROM OTHER SOURCES	-	-
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	802	(1 619)
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	966	2 585
CASH AND TERM DEPOSITS AT END OF PERIOD	1 768	966

* Between the different accounting entities administered by WIPO.

[Annex B follows]

C/40/4

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**

2004-2005 BIENNIUM

**Auditor's Report
to the Council**

*Reg. No. 1.6114.990.00335.02
heja/nede*

July 12, 2006

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 audits during the period and, in June 2006, with auditing the accounts as at December 31, 2005, 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 2004-2005 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-seventh ordinary session, held in Geneva on October 23, 2003 (paragraph 32 of document 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 Department and person 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 2004-2005 biennium in the income and expenditure accounts, the financial statements and the items appearing in the balance sheet as at December 31, 2005.
6. The audits were carried out according to generally accepted international auditing standards and according to the Swiss Auditing Standards (NAS) published by the Board of Trustees (NAS – 2004 Edition)¹, and in accordance with the mandate as Auditor that forms an integral

¹ The NAS implement all of the International Standards on Auditing (ISA) published on June 30, 2003 by the International Auditing and Assurance Standards Board (IAASB).

part of WIPO's Financial Regulations. The audits were conducted in accordance with the auditing standards recognized by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

7. 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.
8. Observations of minor importance that arose during auditing of the accounts were discussed with the officials concerned and do not call for particular comment.

2004-2005 BUDGET AND ACCOUNTS

Budget for the biennium

9. The budget for the 2004-2005 biennium was adopted by the Council at its thirty-seventh ordinary session held in Geneva on October 23, 2003 (paragraph 32 of document C/37/21).

10. The budget was as follows:

	<u>Fr.</u>
- Expenditure	6 048 000
- Income	<u>6 016 000</u>
- Surplus expenditure covered by withdrawal from the Reserve Fund	<u>32 000</u>

Results of the biennium

11. The results of the accounts for the 2004-2005 biennium are as follows:

	<u>Fr.</u>
- Expenditure	6 026 219
- Income	<u>6 043 317</u>
- Surplus income transferred to Reserve Fund	<u>17 098</u>

Income and expenditure

12. The figures relating to income and expenditure during the 2004-2005 biennium, which were audited, are shown in Annexes A.1 to A.10 of the UPOV Financial Management Report (document C/40/4) and correspond to those of the accounts. Expenditure includes, *inter alia*, an amount of 1,178,594 francs (1,619,633 francs for 2002-2003) 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.

13. In relation to the budget, the overall expenditure for the biennium shows a saving of 21,781 francs i.e. 0.36 per cent (a saving in 2002-2003 of 40,622 francs or 0.57 per cent). For more details on this subject, I refer the reader to the UPOV Financial Management Report concerning the main variations between the budget and the accounts.

Balance sheet as at December 31, 2005

14. As at December 31, 2005, the UPOV balance sheet amounted to a total of 1,928,393 francs.
15. The balance sheet that was audited appears in Annex A.6 of the UPOV Financial Report (document C/40/4).
16. The amount of 908,122 francs in the item "liaison accounts" on the liabilities side of the balance sheet represents the net position of the Union with regard to third parties, i.e. 765,150 francs in favor of WIPO and 142,972 francs representing the contributions paid by the providers of funds once the cumulative expenditure of ongoing projects has been deducted.

Allocation of expenditure

17. The UPOV Council approves the budget which sets out expenditure by type, including common expenses. The WIPO Assembly of Member States approved the revised 2004-2005 budget (WO/PBC/8/3), available under publication number 360E/PB0607, at its forty-first series of meetings held in Geneva from September 26 to October 5, 2005 (paragraph 194(i) of document A/41/17). The initial and revised budgets do not contain a detailed table recapping the allocations applicable by Union and by program. The only indications of the allocations between WIPO and UPOV appear in the table ANNEX III, on page 153 of this publication, under the heading "Other". The allocations were determined in an internal document. The common expenses attributable to UPOV stand at 1,179 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.

18. Pursuant to Article 4 of its Financial Regulations, WIPO has the possibility to transfer appropriations from one program to another during the biennium. As part of budgetary flexibility, the WIPO Director General can rectify the biennial budgets of worldwide protection systems according to formulae based on unexpected increases or reductions in the workload or staff requirements. Such 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 costs

19. UPOV is under the contractual obligation to pay severance pay to certain categories of staff. It is also under the contractual obligation to provide staff, after separation from service, with medical benefits in the form of premiums for the health and accident insurance schemes. On the date of the audits, an actuarial valuation was carried out by an independent firm in order to estimate the obligations relating thereto.
20. During the 2002-2003 biennium, no provision was made for the costs of separation from service and medical benefits. During the 2004-2005 biennium, an amount of 104,046.05 francs was accumulated in the provision for separation from service costs. Part of this amount, 73,688.05

francs, was used following the departure of a staff member. The balance of the provision, i.e. 30,358 francs, is in my opinion insufficient. Given the current level of reserves (see next chapter), this situation could be a cause for concern if other employees were to leave the Organization.

Recommendation No. 2: As a precaution, I believe that provision should be made by UPOV for the costs of separation from service and medical benefits.

Reserve Fund

21. At the end of the 2004-2005 biennium, the Reserve Fund stood at 100,402 francs, i.e. 1.53 per cent of the expenses budgeted for the 2006-2007 biennium.
22. UPOV's financial health still 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 costs incurred for separation from service.

Recommendation No. 3: In order to guarantee balanced finances for UPOV in the future, 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.

Funds in trust (FIT)

23. The assets and liabilities relating to the FIT have been presented as separate accounts to those of UPOV since the previous biennium. The financial statements, which have been audited, are presented in Annex A.7 of the UPOV Financial Management Report.
24. The money paid by the provider of funds is paid into a separate bank account on an individual basis. The balance of this account as at December 31, 2005 was compared to the one shown by the statement and the certificate provided by the trustees. Using samples, my colleagues have audited the movements of the funds and the accounting entry of various transactions, and their consistency with the agreements and contracts entered into with the providers of funds.

CONCLUSION

25. As a result of the work carried out, I am able to issue the audit opinion attached 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 No. 1 to 1.6114.990.00335.02

AUDIT OPINION

I have examined the financial statements contained in Annexes A.1 to A.10 of the Financial Management Report of the International Union for the Protection of New Varieties of Plants (UPOV), including the funds in trust, document C/40/4, for the financial period ending on December 31, 2005. The compilation of those financial statements is the responsibility of the Secretary-General. My role consists in expressing an opinion on the statements in the light of the audit which I have conducted.

Pursuant to the Financial Regulations of UPOV, constituted *mutatis mutandis* by the Financial Regulations of WIPO, 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. 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 which I conducted 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, 2005, and of the results of transactions 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 2004-2005 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 transactions that I checked by sampling in the course of my audit were on all essential points consistent with the Financial Regulations and the authorization given by the deliberative bodies of the Union.

Pursuant to paragraph 6 of the terms of reference governing 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 12, 2006.

Bern, July 12, 2006

(signed)

K. Grüter

Director

FEDERAL AUDIT OFFICE

OF THE SWISS CONFEDERATION

(Auditor)

[End of Annex B and of document]