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INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
GENEVA

COUNCIL

Forty-Second Ordinary Session
Geneva, October 30, 2008

**FINANCIAL SITUATION OF THE INTERNATIONAL UNION FOR THE PROTECTION
OF NEW VARIETIES OF PLANTS AS AT DECEMBER 31, 2007**

Memorandum by the Secretary-General

SUMMARY

This document sets out the finances of the Union as at December 31, 2007, and reproduces the Auditor's Report on the accounts for the 2006-2007 financial period.

1. Financial results for the 2006-2007 biennium

The financial results for the 2006-2007 biennium are as follows:

	<u>Francs</u> *
Income	6 760 496
Expenditure	<u>6 214 040</u>
Surplus of income	<u>546 456</u>

In accordance with Article 8 of the UPOV Financial Regulations (document UPOV/INF/4), the surplus of income of 546 456 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, 2007 (Annex A.2 of this document), the Working Capital Fund stands at 512 926 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	Francs	Member of the Union	Francs
Albania	1 667	Latvia	1 667
Argentina	4 167	Lithuania	1 667
Australia	8 333	Mexico	6 250
Austria	12 500	Moldova	1 667
Azerbaijan	1 667	Morocco	1 667
Belarus	1 667	Netherlands	24 999
Belgium	8 333	New Zealand	8 333
Bolivia	1 667	Nicaragua	1 667
Brazil	2 083	Norway	8 333
Bulgaria	1 667	Panama	1 667
Canada	8 333	Paraguay	1 667
Chile	1 667	Poland	4 167
China	4 167	Portugal	4 167
Colombia	1 667	Republic of Korea	6 250
Croatia	1 667	Romania	1 667
Czech Republic	4 167	Russian Federation	4 167
Denmark	8 333	Singapore	1 667
Ecuador	1 667	Slovakia	4 167
Estonia	1 667	Slovenia	1 667
European Community	41 667	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
Iceland	1 667	Tunisia	1 667

* 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).

Member of the Union	Francs		Member of the Union	Francs
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
Kyrgyzstan	1 667		Total :	512 926

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 2006 and 2007 was based on the following number of units (in this regard, see the 2006-2007 budget (documents C/39/4 and C/39/15)):

Number of Units	Member of the Union
5	European Community
5	France
5	Germany
5	Japan
5	United States of America
3	Netherlands
2	Italy
2	Spain
2	United Kingdom
1.5	Austria
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	Mexico
0.75	Republic of Korea

Number of Units	Member of the Union
0.5	Argentina
0.5	China
0.5	Czech Republic
0.5	Hungary
0.5	Israel
0.5	Poland
0.5	Portugal
0.5	Russian Federation
0.5	Slovakia
0.25	Brazil
0.2	Albania
0.2	Azerbaijan
0.2	Belarus
0.2	Bolivia
0.2	Bulgaria
0.2	Chile
0.2	Colombia
0.2	Croatia
0.2	Ecuador
0.2	Estonia
0.2	Iceland (for 2007)
0.2	Jordan
0.2	Kenya
0.2	Kyrgyzstan
0.2	Latvia
0.2	Lithuania
0.2	Moldova
0.2	Morocco (for 2007)
0.2	Nicaragua
0.2	Panama
0.2	Paraguay
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 (for 2007)
Total :	60.15 units for 60 members of the Union (for 2006) 60.75 units for 63 members of the Union (for 2007)

4. Annexes

Annex A to this document contains:

- A.1 - comparison of budget and actual income and expenditure for the 2006-2007 financial period, followed by explanatory notes, expenditure by sub-program and a funding plan for the 2006-2007 biennium;
- A.2 - balance sheet as at December 31, 2007;
- A.3 - contributions of members of the Union (including contributions received in advance);
- A.4 - comparison of income and expenditure for the 2004-2005 biennium and 2006-2007 biennium;
- A.5 - amounts of the contributions due and unpaid working capital as at December 31, 2007;
- A.6 - comparison of the balance sheet as at December 31, 2005 with the balance sheet as at December 31, 2007;
- 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 2006-2007 financial period.

[Annex A.1 follows]

ANNEX A.1

Comparison of budget and actual income and expenditure for the 2006-2007 financial period
(francs)

		Budget	Actual	Difference Budget/Actual
Income				
Contributions	(i)	6 517 000	6 485 182	31 818
Publications		70 000	67 705	2 295
Interest	(ii)	40 000	104 877	(64 877)
Other	(iii)	74 000	102 732	(28 732)
Total income		6 701 000	6 760 496	(59 496)
Expenditure				
Staff expenses		4 358 000	4 297 121	60 879
Staff missions	(i)	270 000	309 643	(39 643)
Third party travel	(ii)	70 000	41 589	28 411
Conferences	(iii)	80 000	121 129	(41 129)
Consultants and experts	(iv)	151 000	3 400	147 600
Publishing		61 000	60 866	134
Other contractual services	(v)	130 000	4 819	125 181
Premises and maintenance		200 000	187 151	12 849
Communications and other operating expenses		1 200 000	1 184 430	15 570
Furniture and equipment	(vi)	15 000	175	14 825
Supplies and materials	(vi)	15 000	3 717	11 283
Total expenditure		6 550 000	6 214 040	335 960
Results				
Surplus of income transferred to the Reserve Fund		151 000	546 456	(395 456)

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

Explanation of the main variations between budget and actual figures

Income

- (i) Contributions
The shortfall of 31,818 francs is due to lower than expected accessions to the Union.
- (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 64 877 francs.
- (iii) Other
The surplus of income of 28 732 francs is mainly explained by increased participation in the Union's distance learning program.

Expenditure

- (i) Staff missions
The excess of expenditure of 39 643 francs is the result of a higher than budgeted number of staff missions.
- (ii) Third party travel
Less expenditure related to participants and lecturers resulted in savings of 28 411 francs, compared to the budgeted figure.
- (iii) Conferences
The interpretation services were needed for a period longer than planned which resulted in an over-expenditure of 41 129 francs.
- (iv) Consultants and experts
No consultants were used during the period which explains the savings of 147 600 francs.
- (v) Other contractual services
It was decided that translation work of documents and publications into the Union's working languages was part of the services provided by WIPO and included in the item "Communications and other operating expenses". This resulted in savings of 125 181 francs.
- (vi) Furniture and equipment/Supplies and materials
The continuous effort to reduce expenditure resulted in savings of 14 825 francs and 11 283 francs, respectively.

Expenditure by sub-program for the 2006-2007 financial period
(in thousands of francs)

Sub-program	UV.01	UV.02	UV.03	UV.04	Total
Staff expenses	733	1 964	1 066	534	4 297
Staff missions	-	123	89	98	310
Third party travel	-	-	42	-	42
Conferences	40	79	1	1	121
Consultants and experts	-	-	3	-	3
Publishing	-	61	-	-	61
Other contractual services	1	3	1	-	5
Premises/maintenance	-	187	-	-	187
Communications/other operating expenses	3	1 179	1	1	1 184
Furniture/equipment	-	-	-	-	-
Supplies	4	-	-	-	4
Total	781	3 596	1 203	634	6 214

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 for New Varieties of Plants

UV.04 External Relations

Funding plan for the 2006-2007 financial biennium

	Ordinary budget		Extrabudgetary resources* Funds in trust		Total funding	
	Budget	Actual	Budget	Actual	Budget	Actual
Expenditure	6 550 000	6 214 040	349 000	338 722	6 899 000	6 552 762
Income	6 701 000	6 760 496	349 000	344 000	7 050 000	7 104 496
+ /(-) Transfer from/to funding balance	(151 000)	(546 456)	-	(5 278)	(151 000)	(551 734)
Total funding amount	6 550 000	6 214 040	349 000	338 722	6 899 000	6 552 762

[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, 2007
(francs)

Assets			Liabilities		
Liquid assets :					
Current account	274 412		Contributions received in advance		150 194
Trust account	<u>1 926 196</u>	2 200 608			
Outstanding contributions and Working Capital Fund participations		166 530	Liaison account, World Intellectual Property Organization (WIPO)		839 828
Liaison account, funds in trust		16 298	Miscellaneous accounts payable		75
Miscellaneous accounts receivable		2 438	<u>Reserve Fund:</u>		
			Balance carried forward from December 31, 2005	100 402	
			Surplus of income for 2006-2007	<u>546 456</u>	646 858
			Working Capital Fund		512 926
			Provision for separation from service		235 993
		2 385 874			2 385 874

[Annex A.3 follows]

ANNEX A.3

Contributions of Members of the Union
(francs)

Members of the Union	Contribution units	Amounts payable:		Date of membership
		January 2006	January 2007	
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	1.5	80 462	80 462	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	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
European Community	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
Germany	5	268 205	268 205	10/8/1968
Hungary	0.5	26 820	26 820	16/4/1983
Iceland	0.2	-	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
Moldova	0.2	10 728	10 728	28/10/1998
Morocco	0.2	-	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	26 820	26 820	14/10/1995
Republic of Korea	0.75	40 231	40 231	7/1/2002

Members of the Union	Contribution units	Amounts payable:		Date of membership
		January 2006	January 2007	
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
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
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	24/12/2006
Total		3 226 499	3 258 683	

i.e. 63 members of the Union (60 contributors for 2006 and 63 for 2007)

Members of the Union	Date of membership
Dominican Republic *	16/6/2007
Turkey *	18/11/2007

i.e. 65 members of the Union (as at December 31, 2007)

Contributions received in advance

Contributions for 2008, already received by December 31, 2007:

Members of the Union	Francs
Australia	53 641
Bulgaria	10 728
Colombia	10 728
Latvia	10 728
New Zealand	53 641
Uruguay	10 728
Total	150 194

[Annex A.4 follows]

* Contribution payable from January 2008 onwards.

ANNEX A.4

Comparison of income and expenditure between the 2004-2005 biennium
and the 2006-2007 biennium
(francs)

	2004-2005 biennium	2006-2007 biennium
Income		
Contributions	5 852 220	6 485 182
Publications	73 251	67 705
Interest	61 588	104 877
Other	56 258	102 732
Total income	6 043 317	6 760 496
Expenditure		
Staff expenses	4 158 657	4 297 121
Missions	189 484	309 643
Third party travel	14 344	41 589
Conferences	98 386	121 129
Consultants and experts	-	3 400
Publishing	61 270	60 866
Other contractual services	106 510	4 819
Premises and maintenance	184 787	187 151
Communications and other operating expenses	1 188 141	1 184 430
Furniture and equipment	4 524	175
Supplies and materials	20 116	3 717
Total expenditure	6 026 219	6 214 040
Results		
Surplus of income transferred to the Reserve Fund	17 098	546 456
Overall result	6 043 317	6 760 496

[Annex A.5 follows]

ANNEX A.5

Amounts of the contributions due and unpaid working capital as at December 31, 2007

Members of the Union	No arrears/year(s) of arrears	Amount of arrears in francs	
Albania	No arrears		
Argentina	No arrears		
Australia	No arrears		
Austria	No arrears		
Azerbaijan	Working Capital Fund	1 667	
	2005 contribution	10 728	
	2006 contribution	10 728	
	2007 contribution	<u>10 728</u>	33 851
Belarus	No arrears		
Belgium	No arrears		
Bolivia	2007 contribution (balance)		445
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		
European Community	No arrears		
Finland	No arrears		
France	No arrears		
Germany	No arrears		
Hungary	No arrears		
Iceland	No arrears		
Ireland	No arrears		
Israel	No arrears		
Italy	2007 contribution		107 282
Japan	No arrears		
Jordan	No arrears		
Kenya	No arrears		
Kyrgyzstan	No arrears		
Latvia	No arrears		
Lithuania	No arrears		
Mexico	No arrears		
Moldova	No arrears		
Morocco	No arrears		
Netherlands	No arrears		
New Zealand	No arrears		

Members of the Union	No arrears/year(s) of arrears	Amount of arrears in francs	
Nicaragua	2005 contribution (balance)	3 052	
	2006 contribution	10 728	
	2007 contribution	<u>10 728</u>	24 508
Norway	No arrears		
Panama	2007 contribution (balance)		299
Paraguay	No arrears		
Poland	No arrears		
Portugal	No arrears		
Republic of Korea	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		
United States of America	No arrears		
Uruguay	No arrears		
Uzbekistan	No arrears		
Viet Nam	2007 contribution (balance)		145
Total			166 530

[Annex A.6 follows]

ANNEX A.6

Comparison of the balance sheet as at December 31, 2005
with the balance sheet as at December 31, 2007
(francs)

	December 31, 2005	December 31, 2007
ASSETS		
<u>Liquid assets</u>		
UBS S.A., current account	737 670	274 412
Swiss Confederation, trust account	1 030 573	1 926 196
<u>Liaison accounts</u>		
Funds in trust	-	16 298
<u>Accounts receivable</u>		
Contributions and Working Capital Fund shares outstanding	159 036	166 530
Miscellaneous debtors	513	2 438
<u>Transitional assets account</u>	601	-
Total	1 928 393	2 385 874
LIABILITIES		
<u>Liaison accounts</u>		
WIPO	765 150	839 828
Funds in trust	142 972	-
<u>Accounts payable</u>		
Advance payments of contributions and Working Capital Fund shares	410 126	150 194
Miscellaneous creditors	14 794	75
Provisions	30 358	235 993
Reserve Fund	100 402	646 858
Working Capital Fund	464 591	512 926
Total	1 928 393	2 385 874

[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, 2007)

Assets	Francs
<i>Liquid assets</i>	
Bank account (UBS S.A.)	199 226
Short term investment (UBS S.A.)	75 000
<i>Accounts receivable</i>	
Miscellaneous debtors	1 853
Total	276 079
Liabilities	Francs
<i>Due</i>	
WIPO liaison account	23 614
UPOV liaison account	16 298
Funds in trust (according to breakdown below)	236 167
Total	276 079

Income and expenditure for the 2006-2007 biennium

(as at December 31, 2007)

Funds in trust/Japan	Francs	
Balance, start of financial period		230 889
<i>Income</i>		
Funds received	337 470	
Interest	6 530	344 000
<i>Expenditure</i>		
Staff missions	92 993	
Third party travel	168 528	
Conferences	38 046	
Communications and other operating expenses	280	
Total direct expenditure	299 847	
Administrative costs	38 875	(338 722)
Funds available, end of financial period		236 167

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 balancesfor the period ending December 31, 2007
(expressed in thousands of Swiss francs)

	Period 2004-2005	Period 2006-2007
INCOME		
Contributions	5 852	6 485
Other/miscellaneous income		
Revenue producing activities	129	170
Funds received under inter-organization arrangements	-	-
Bank interest	62	105
Currency exchange adjustments	-	-
Other/miscellaneous	-	-
TOTAL INCOME	6 043	6 760
EXPENDITURE	6 026	6 214
TOTAL EXPENDITURE	6 026	6 214
SURPLUS OF INCOME OVER EXPENDITURE	17	546
Transfers to Reserve Fund	17	546
Transfers from Reserve Fund	-	-
Transfers to Working Capital Fund	16	49
Other adjustments	-	-
Reserve and Working Capital Fund balances at beginning of period	532	565
RESERVE AND WORKING CAPITAL FUND BALANCES, END OF PERIOD	565	1 160

[Annex A.9 follows]

ANNEX A.9

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

as at December 31, 2007
(expressed in thousands of Swiss francs)

	Period 2004-2005	Period 2006-2007
ASSETS		
Cash and term deposits	1 768	2 201
Accounts receivable		
Contributions and Working Capital Fund shares receivable from members of the Union	159	167
Other	1	16
Other assets		2
Land and buildings	-	-
TOTAL ASSETS	1 928	2 386
LIABILITIES		
Contributions received in advance	410	150
Unliquidated obligations	-	-
Accounts payable		
WIPO liaison account	908	840
Other	15	-
Other funds and special accounts	30	236
TOTAL LIABILITIES	1 363	1 226
RESERVE AND WORKING CAPITAL FUND BALANCES		
Reserve Fund at end of period	100	647
Working Capital Fund at end of period	465	513
TOTAL RESERVE AND WORKING CAPITAL FUND BALANCES	565	1 160
TOTAL LIABILITIES, RESERVE AND WORKING CAPITAL FUND BALANCES	1 928	2 386

[Annex A.10 follows]

ANNEX A.10

Comparative table 3Statement of cashflow

as at December 31, 2007
(expressed in thousands of Swiss francs)

	Period 2004-2005	Period 2006-2007
CASHFLOW FROM OPERATING ACTIVITIES		
Net excess (shortfall) of income over expenditure	17	546
(Increase) decrease in contributions receivable	(8)	(8)
(Increase) decrease in other accounts receivable	(1)	(17)
(Increase) decrease in inter-fund balances receivable*	-	-
Increase (decrease) in contributions or payments received in advance	34	(260)
Increase (decrease) in unliquidated obligations	(4)	-
Increase (decrease) in accounts payable	8	(15)
Increase (decrease) in inter-fund balances payable*	710	(68)
Increase (decrease) in fund and special account balances	30	206
less: interest income	(62)	(105)
plus: financial charges	2	-
NET CASHFLOW FROM OPERATING ACTIVITIES	726	279
CASHFLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	-	-
(Increase) decrease in land and buildings	-	-
Increase (decrease) in borrowings	-	-
plus: interest income	62	105
less: financial charges	(2)	-
NET CASHFLOW FROM INVESTING ACTIVITIES	60	105
CASHFLOWS FROM FINANCING ACTIVITIES:		
Savings on or cancellation of prior periods' obligations	-	-
Transfers to reserves	-	-
Transfers from reserves	16	49
Transfers (to)/from other funds	-	-
Credits to members of the Union	-	-
Other adjustments to reserves and fund balances	-	-
NET CASHFLOWS FROM FINANCING ACTIVITIES	16	49
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	802	433
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	966	1 768
CASH AND TERM DEPOSITS AT END OF PERIOD	1 768	2 201

* 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 2006-2007 biennium which ended on December 31, 2007. 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 9.4 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 2008 by an independent consultant, this liability was estimated at 0.3 million Swiss francs at the end of 2007;
- 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 2008 by an independent consultant, this liability was estimated at 0.8 million Swiss francs at the end of 2007.

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 6% of staff expenditure 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 (EC) 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/42/4

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

2006-2007 BIENNIUM

**Auditor's Report
to the Council**

*Reg. No. 1.8033.946.00335.04
immi/nede*

September 10, 2008

GENERAL

Terms of reference

1. Pursuant to Article 25 of the International Convention of December 2, 1961, as revised in 1978, and Article 29(6) of the 1991 Act, the Council of the International Union for the Protection of New Varieties of Plants (UPOV), at its forty-first ordinary session held in Geneva on October 25, 2007, renewed Switzerland's mandate as Auditor up to and including the year 2011 (paragraph 22 of document C/41/16).
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 2008, with auditing the accounts as at December 31, 2007, at the headquarters of the International Bureau of the World Intellectual Property Organization (WIPO) in Geneva. The checks were completed on July 11, 2008.

Financial regulations

3. In addition to the relevant provisions of the various Conventions, the 2006-2007 biennium was governed by the provisions of the UPOV Financial Rules and Regulations, constituted *mutatis mutandis* by the Financial Regulations of WIPO, and by the appropriate items in the budget approved by the Council at its thirty-ninth ordinary session, held in Geneva on October 27, 2005 (paragraph 16 of document C/39/14).

Subject of the audit

4. The audits related to entries concerning the 2006-2007 biennium in the income and expenditure accounts, the financial statements and the items appearing in the balance sheet as at December 31, 2007.

Information and documents

5. I wish to express my satisfaction with the obliging manner in which the main persons responsible for keeping the UPOV accounts, namely Mrs. C. Graffigna, Executive Director and Controller, and Mr. P. Favatier, Director of the WIPO Finance Department, and their staff, provided all the information and documents required for my work to be completed.

CHECKS AND FINDINGS

General

6. Checks were carried out in accordance with the usual, generally accepted international auditing standards and with the Swiss Auditing Standards published by the Fiduciary Chamber (2004 edition)¹, whilst also observing the additional Terms of Reference for Audit forming an integral part of the Financial Regulations of UPOV.
7. Issues of minor importance which were clarified and discussed with the relevant persons in the course of the work are not commented on in this document.
8. Other points requiring improvements were brought to the attention of the Office of the Controller and the Finance Department during the final discussion on July 11, 2008. Recommendations were made at that time and were approved. They are included in a note which was forwarded to the Secretary-General of UPOV. I have not reproduced in this report the points concerned or the related proposals for improvements in order to draw the attention of the Council only to the recommendations which I regard as essential.
9. Where checks were carried out by random sampling, my colleagues selected the samples based on the risks or the relative size of the amounts recorded under the headings examined.
10. 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.

FOLLOW-UP TO RECOMMENDATIONS MADE IN PREVIOUS REPORTS

11. The recommendations made in my 2004-2005 report which were acted upon are not included in this document. The following comments mainly concern those which were in the process of being implemented or for which the measures indicated by UPOV had not yet been put in place at the time of the audit.

Provision for separation from service (Recommendation No. 2/2004-2005, regarded as partly followed up)

12. Since UPOV is under the obligation to provide certain benefits upon separation from service, it was considered wise to allocate the amounts relating to those obligations. To that end, UPOV adopted an accounting policy to allocate six per cent of the overall salary costs to the provision for separation from service. The allocation to the provision for the 2006-2007 biennium corresponds to that percentage. However, the accounting policy will not be maintained in 2008-2009 given that only three per cent of the overall salary costs will be allocated to the provision. It would be useful to define a clear policy on allocation to the provision for separation from service, in particular in view of the forthcoming adoption of the International Public Sector Accounting Standards (IPSAS).

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).

Reserve Fund (Recommendation No. 3/2004-2005, regarded as partly followed up)

13. In order to guarantee balanced finances for UPOV in the future, the establishment of a Reserve Fund should ensure the Union's ongoing financial good health. During the 2006-2007 biennium, the result of the financial period, amounting to 546,456 francs, was paid into the Reserve Fund. This increased the total of the Reserve Fund to 646,858 francs. Following the accession of new Members during the biennium under review, the Working Capital Fund increased to a total of 512,926 francs at the end of the biennium. The Working Capital Fund and the Reserve Fund stood at 1,159,784 francs as at December 31, 2007, i.e. 19 per cent of expenditure for the biennium. I invite UPOV to continue its efforts to ensure ongoing balanced finances in its activities.

FINANCIAL AUDITS

Budget

14. The budget for the 2006-2007 biennium was adopted by the Council at its thirty-ninth ordinary session held in Geneva on October 27, 2005 (paragraph 16 of document C/39/14).

15. The budget was as follows:

	<u>Swiss Francs</u>
Income	6,701,000
Expenditure	<u>6,550,000</u>
Surplus income compared to expenditure transferred to Reserve Fund	<u>151,000</u>

Accounts

16. The financial statements checked are those shown in Annexes A.4, A.6, A.8, A.9 and A.10 of the UPOV 2006-2007 Financial Management Report (document C/42/4, English version), as well as the "Notes concerning the 2006-2007 Financial Management Report".

17. The financial results for the 2006-2007 biennium, compared to 2004-2005, are as follows:

<u>Swiss Francs</u>	<u>2004-2005</u>	<u>2006-2007</u>
Income	6,043,317	6,760,496
Expenditure	<u>(6,026,219)</u>	<u>(6,214,040)</u>
Surplus income compared to expenditure	<u>17,098</u>	<u>546,456</u>

18. The accounting principles have not changed since the previous biennium. A description of the main accounting practices is provided in the "Notes concerning the 2006-2007 Financial Management Report".

Result of the financial year

19. The result was allocated in full to the Reserve Fund.

Balance sheet as at December 31, 2007

20. The total of the UPOV balance sheet as at December 31, 2007, amounted to 2,385,874 francs.
21. The audited balance sheet is given in Annex A.6 of the Financial Management Report.

Liquid assets

22. The balances as at December 31, 2007 of the various treasury accounts were compared with those obtained from statements or from certificates issued by the banks.
23. The reconciliation of the different cash accounts and bank accounts was analyzed to assess the quality of control carried out for the liquid assets.

Contributions outstanding

24. The balance of contributions outstanding as at December 31, 2007, stood at 166,530 francs (159,036 francs as at December 31, 2005).

Short-term liabilities

25. On the liabilities side of the balance sheet, under the heading "liaison accounts", the amount of 839,828 francs represents the net position of UPOV with regard to WIPO, i.e. 839,828 francs in favor of WIPO. The contributions paid in advance by Members amount to 150,194 francs. The financial situation with the funds-in-trust stabilized with an amount owed by UPOV to the funds-in-trust of 16,298 francs.

Provision for separation from service costs

26. On this subject, I refer the reader to the chapter above entitled "Follow-up to recommendations made in previous reports".

Reserve Fund

27. With regard to the Reserve Fund, I also refer the reader to the chapter above entitled "Follow-up to recommendations made in previous reports".

Income and expenditure

28. The figures relating to income and expenditure during the 2006-2007 biennium, which were audited, are shown in Annexes A.4 and A.8 of the Financial Management Report mentioned above and correspond to those of the accounts. Expenditure includes, inter alia, an amount of 1,180,081 francs (1,178,594 francs for 2004-2005) 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.
29. In relation to the budget, the overall expenditure for the biennium shows a saving of 335,960 francs, i.e. 5.13 per cent (a saving in 2004-2005 of 21,781 francs or 0.36 per cent). For more details on this subject, I refer the reader to the Financial Management Report's chapter on the main variations between the budget and the accounts.

Common expenses

30. The UPOV Council approves the budget which sets out expenditure by type, including common expenses invoiced by WIPO.
31. In 2004-2005, it was recommended that the distribution keys between WIPO and UPOV be clearly defined in the WIPO budget. The keys selected have indeed been presented separately in the 2008-2009 budget.
32. My colleagues checked the calculation of the common expenses invoiced by WIPO. It was observed that these expenses had indeed been allocated based on the ratios defined by WIPO's budget. Furthermore, they are below the amount anticipated by UPOV. They also observed that the costs to be invoiced were in the process of being redefined by the Office of the Controller. The distribution keys for the 2008-2009 budget are based on the number of employees and not on the ratios for use of expenditure as in the past. Moreover, the link between the expenses invoiced and the actual costs is not established clearly. In 2006-2007, the costs of translation into German were rightly included in the common expenses, whereas they were excluded in the past. The rental cost of premises is invoiced separately, but the common expenses also include that cost.
33. **Recommendation:** I consider that the common expenses should be the subject of regular analysis to ensure their relevance. Invoicing should be carried out on a contractual basis and costs invoiced should be presented by type. That would allow those costs to be entered in UPOV's accounts by type.

Funds-in-Trust

34. The assets and liabilities relating to the Funds-in-Trust have been presented as accounts separate to those of UPOV. The financial statements relating thereto are presented in Annex A.7 of the UPOV Financial Management Report.
35. The contribution made by the provider of funds is paid into a separate bank account. The balance of this account as at December 31, 2007 was compared to the one shown by the statement and the certificate issued by the trustee.

Relations between UPOV and WIPO

36. It was observed that a number of substantive modifications have been made to the WIPO Financial Regulations, on which the UPOV Financial Regulations are based. Therefore, UPOV is in the process of revising its regulations to ensure they are fully up to date.

CONCLUSION

37. 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).

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

Annex: Audit opinion



Annex No. 1 to 1.8033.946.00335.04

AUDIT OPINION

I have examined the financial statements contained in Annexes A.4, A.6, A.8, A.9 and A.10 of the Financial Management Report of the International Union for the Protection of New Varieties of Plants (UPOV), document C/42/4, for the financial period ending on December 31, 2007. The checks were completed on July 11, 2008. 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 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 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.

In my opinion, the financial statements give a satisfactory account, on all essential points, of the financial position as at December 31, 2007, 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 2006-2007 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 September 10, 2008.

Bern, September 10, 2008.

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).