



C/50/14

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

Geneva

**COUNCIL****Fiftieth Ordinary Session  
Geneva, October 28, 2016**

## REPORT OF THE EXTERNAL AUDITOR:

*Document prepared by the Office of the Union**Disclaimer: this document does not represent UPOV policies or guidance*

1. The Financial Statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2015, together with the audit report of the External Auditor, are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/4), which requires that the Council examine and approve the financial statements. The Financial Statements for 2015 are presented in document C/50/13. The Annex to this document contains the audit report of the External Auditor.

2. *The Council is invited to take note of the present document.*

[Annex follows]

C/50/14

ANNEX

**REPORT OF THE EXTERNAL AUDITOR**

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



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

## **Audit of 2015 financial statements**

01.07.2016



## Report of the Auditor

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

## Audit of 2015 financial statements

*The mandate of external auditor of the financial statements of the International Union for the Protection of New Varieties of Plants (UPOV) is traditionally carried out by members of the highest authority of public financial auditing of the selected country. On the strength of this provision and in accordance with Article 25 of the International Convention of December 2, 1961, as revised in 1978, and Article 29(6) of the 1991 Act, the UPOV Council, at its Forty-Fifth Ordinary Session held in Geneva on October 20, 2011, renewed Switzerland's mandate as Auditor, which is performed by the Director of the Swiss Federal Audit Office ("my Office"), until the year 2017 inclusive.*

*The mandate is set out in Annex II of the Financial Regulations and Rules of UPOV. The arrangements for the audit were also set out in the letter of May 13, 2013 confirming the mandate and UPOV accepted these terms in its response of May 28, 2013. The members of my Office responsible for this mandate carry out their duties autonomously and independently with the help of their colleagues.*

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

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<u>Table of contents</u>	<u>Paragraphs</u>
<b>Audit summary</b>	-
Regulations, standards and information	1-9
Follow-up to recommendations	10
Internal control system (ICS)	11-12
Production of financial statements according to IPSAS	13-14
Audit of 2015 budget performance	15-17
Audit of 2015 financial statements	18-45
<b>Conclusion</b>	<b>46</b>

### **Annex: Audit opinion**

Berne, July 1, 2016

Reg. No. 1.16122.946.00335.004  
modi/dear

## **AUDIT SUMMARY**

As Auditor for the International Union for the Protection of New Varieties of Plants (UPOV), the Swiss Federal Audit Office (CDF) confirms that the audit of the 2013 financial statements, presented in accordance with the International Public Sector Accounting Standards (IPSAS), yielded a good result overall. We noted no significant problems and are therefore in a position to issue an audit opinion without any reservations. In spite of a six per cent drop in liquid assets, excess costs of over 200,000 francs, due in particular to a 20 per cent increase in expenditure, offset by a 10 per cent increase in income, UPOV's financial position remains healthy for 2015.

## **REGULATIONS, STANDARDS AND INFORMATION**

### **Financial regulations and the subject of the audit**

1. The Union's financial years are governed by the relevant provisions of the various Conventions, as well as by the Financial Regulations and Rules of UPOV<sup>1</sup> in accordance with the International Public Sector Accounting Standards (IPSAS).
2. The audit related to the financial statements of the Union as at December 31, 2015, including the Statement of Financial Position (Statement I), the Statement of Financial Performance (Statement II), the Statement of Changes in Net Assets (Statement III), the Statement of Cash Flow (Statement IV) and the Statement of Comparison of Budget and Actual Amounts (Statement V), together with notes attached to the statements.

### **Auditing standards, information and acknowledgements**

3. The audit was carried out in accordance with the International Standards on Auditing (ISAs),<sup>2</sup> while also observing the additional Terms of Reference forming an integral part of the Financial Regulations and Rules of UPOV.
4. Where testing by means of random sampling was carried out, we selected the samples based on the risks or relative size of the amounts recorded under the headings examined.
5. During our audit, we met regularly with Mr. Dorian Chambonnet, IPSAS specialist in the Finance Service, and other staff of this service. All the information and documents required to complete our work were provided.
6. We wish to emphasize the excellent cooperation and openness displayed throughout the performance of this audit. We also wish to express our thanks for the readiness with which information and documents were provided by all UPOV staff contacted.
7. The results of the audit were provided to Mr. Peter Button, Vice Secretary-General of UPOV, during the final discussion on July 1, 2016.
8. In accordance with item 11 of the Additional Terms of Reference Governing External Audit concerning the comments of the Secretary-General to be included in the present report, we received confirmation by e-mail on July 15, 2016, from his staff that there were no additional comments.
9. The original drafting language of the present report is French and we recall that the French version is the authoritative text.

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<sup>1</sup> Financial Regulations and Rules of UPOV adopted by the Council at its thirty-second extraordinary session of March 27, 2015.

<sup>2</sup> International Standards on Auditing (ISAs), published by the International Auditing and Assurance Standards Board (IAASB).

## **FOLLOW-UP OF RECOMMENDATIONS**

10. It was not necessary to follow up recommendations because there are no outstanding recommendations for the previous financial years.

## **INTERNAL CONTROL SYSTEM (ICS)**

### **An internal control system relying on the control system in place in the administrative services of WIPO**

11. UPOV is linked to WIPO by an agreement concerning the financial management of its activities. As a result, the existence and quality of the internal control system (ICS) at UPOV is dependent on what is found within the administrative services of WIPO. We noted existing flow diagrams and process descriptions in the fields of income and general expenditure. Business processes have been tailored to the use of the integrated accounting software, AIMS-HR. In light of the information obtained and the documents analyzed, we consider that the existing ICS allows UPOV to produce statements without significant anomalies.
12. The principle of joint signatures of two persons is applied for banking relationships and disbursements. Signature rights are applied to all bank accounts and other payment authorizations.

## **PRODUCTION OF FINANCIAL STATEMENTS ACCORDING TO IPSAS**

### **Presentation of the 2015 financial statements according to IPSAS standards**

13. UPOV's 2015 financial statements were prepared according to IPSAS standards. The WIPO document "POLICY GUIDANCE MANUAL FOR INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS" (2014 version) sets out the key points of preparing the financial statements. This manual has not been updated since 2014. We were informed that it should be updated in the summer of 2016.
14. We note that UPOV analyzes the potential effects of the introduction of the new IPSAS,<sup>3</sup> which will apply as from January 1, 2017.

## **AUDIT OF 2015 BUDGET PERFORMANCE**

### **2015 saw budget receipts in line with expectations**

15. The 2014-2015 biennium budget adopted by the Council during the Forty-Seventh Ordinary Session on October 24, 2013, forecast a balanced result between income and expenditure for the year 2015. Before adjustments, including the treatment of Funds-in-Trust, the final results present an expenditure surplus of 108,000 francs. A comparison between the 2013 budget and the 2013 financial statements can be summarized as follows:

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<sup>3</sup> New IPSAS standards 34, 35, 36, 37 and 38 applicable to annual financial statements for financial periods as from January 1, 2017.

	<b>Budget (Swiss francs)</b>	<b>Accounts (Swiss francs)</b>	<b>Difference accounts vs. budget (Swiss francs and %)</b>	
Income 2015	-3,397,000	-3,409,000	12,000	-0.35%
Expenditure 2015	3,397,000	3,517,000	-120,000	-3.53%
<b>Result 2015 (loss)</b>	<b>0</b>	<b>108,000</b>	<b>-108,000</b>	

**Table 1: 2015 budget compared to 2015 accounts**

16. It should be noted at this point that the result of the 2014-2015 biennium was balanced. As to the cumulative accounts for 2014-2015, they show a profit of 1,000 Swiss francs before IPSAS adjustments.

	<b>Budget (Swiss francs)</b>	<b>Accounts (Swiss francs)</b>	<b>Difference accounts vs. budget (Swiss francs and %)</b>	
Income 2014-2015	-6,794,000	-6,793,000	-1,000	0.01%
Expenditure 2014-2015	6,794,000	6,792,000	2,000	0.03%
<b>Result 2014-2015 (profit)</b>	<b>0</b>	<b>-1'000</b>	<b>1'000</b>	

**Table 2: Budget for 2014-2015 biennium compared to accounts for 2014-2015**

17. We have decided not to explain the budget performance, given that the Secretary-General's comments on this aspect are set out in a special section of the financial management report for 2015. Statement V (Statement of Comparison of Budget and Actual Amounts) shows the main variation in the accounting items between the budget and the actual figures for the year. A similar type of table shows information for the 2014-2015 biennium.

## AUDIT OF 2015 FINANCIAL STATEMENTS

### UPOV's financial situation remains healthy

18. The table below compares several key values from the balance sheets for 2015 and 2014. The variations in the amounts between the two years do not give rise to any particular comments on our part. We have commented on significant balances from the 2015 accounts in subsequent paragraphs.

Reference	Amounts in Swiss francs		
	2015	2014	Variation 2015 v. 2014
Balance sheet total	4,698,511	4,814,936	-116,425
Liquid assets	4,503,112	4,790,460	-287,348
Other assets	195,399	24,476	170,923
Foreign funds	1,676,169	1,650,633	25,536
Provisions for employee benefits	1,358,508	1,300,232	58,276
Reserve fund	1,050,816	1,322,393	-271,577
Special projects fund	69,673	0	69,673
Working capital fund	543,345	541,678	1,667

**Table 3: Key figures from 2015 and 2014 compared**

### Fall in liquid assets in late 2015

19. The "Confirmation of business relationship" issued by UBS on January 19, 2016 attests to UPOV's available assets in the three bank accounts it holds. The open balances amount to almost 542,000 francs as at December 31, 2015. The opening balance for 2015 was higher than 829,000 francs. This means that the liquid assets held with this bank have fallen by over 287,000 francs in 2015. The balance of the two funds funded by Japan (FIT/JPN and The Netherlands (FIT/NLD) are significantly lower than those for 2014, given that they have each dropped by about 141,000 francs, respectively, from 186,000 francs in 2015. The available assets are now at 101,000 francs for Japan and 52,000 for The Netherlands. UPOV's regular deposit with UBS increased by 39,000 francs.
20. The Federal Finance Administration (AFF) had intended to end its business relationship with all customers outside the Swiss Confederation by the end of 2015. It ultimately extended the deadline by a few months. Thus UPOV maintained its account with the AFF. Its funds stand at 3,961,600 francs at as end 2015. This amount is the same as that for the end of 2014. The difference of nearly 500 francs is the interest bonus on the account since January 2015. Since then, the AFF no longer remunerates the assets of third parties it holds.
21. UPOV's working capital fund (WCF) stands at 543,345 francs. It is part of the liquid assets presented in Note 3 of the 2015 financial statements. The increase of 1,667 francs in this balance comes from the African Intellectual Property Organization (OAPI), which joined the Union in July 2014. The non-reserved funds stand at about 3.8 million francs and are similar to the previous financial period.
22. Random sampling of accounting transactions involving liquid assets showed no errors. They confirm the regularity of the transactions.

### Arrears in statutory contributions doubled in 2015

23. Total receivables open for the following members amount to 46,444 francs. They practically doubled between 2014 and 2015, having risen from 23,446 as at December 31, 2014.

Member	31.12.2015
Belarus	10,728
Brazil	13,410
Panama	850
Ukraine	21,456
<b>Total receivables</b>	<b>46,444</b>

**Table 4: Statutory contributions in abeyance at the end of 2015**

24. The statutory contributions of members stood at 3,344,506 Swiss francs in 2015. They show an increase in recorded income of 10,728 francs as compared to 2014. This increase is explained by the 2015 contribution of OAPI, which joined the Union in 2014. The audit confirmed that the income was accurate and complete.
25. Payments of members' contributions made in advance stood at over 245,000 Swiss francs. These advance payments came from the following countries:

Member	CHF	Member	CHF
Argentina	26,820.00	Mexico (2016)	40,231.00
Australia	53,641.00	Mexico (after 2016)	40,878.00
Bulgaria	10,728.00	OAPI	87.00
Colombia	10,728.00	Slovakia	26,800.00
Costa Rica	10,728.00	The former Yugoslav Republic of Macedonia	10,728.00
Dominican Republic	2,712.00	Uzbekistan	10,728.00
Ecuador	25.00	<b>Total advance payments</b>	<b>244,834.00</b>

**Table 5: Advance payments from UPOV members**

### Inter-organizational transactions pass through liaison accounts

26. Financial transactions between WIPO, UPOV and FITSU (voluntary fund) are facilitated by liaison accounts. Random sampling of fund transfers among these organizations did not show any errors. The amounts of the inter-organizational account balances were validated by WIPO, UPOV and FITSU balance sheets. The total liabilities in UPOV's balance sheet are in excess of 1.213 million francs at the closing of the 2015 accounts. The balances of the accounts linked to WIPO were validated through an extract from the WIPO balance sheet. At the end of 2014, the corresponding amount was 931,000 francs. The variation of the balances was verified and found to be justified.

### Staff benefits: provisions conform to IPSAS

27. Provisions for staff benefits increased by over 58,000 francs in 2015 to stand at 1.358 million at the end of 2015 (as against 1.3 million francs at the end of 2014). The variations in provisions between 2014 and 2015 were verified and found to be in order. The table below shows amounts consistent with the presentation required by IPSAS standards.

Employee Benefits Current		2015	2014	Difference in CHF and %	
39300	Provision ASHI Liab Current	-124,957.00	-88,878.00	-36,079.00	40.59%
39350	Provision repatr benef current	-20,555.00	-19,868.00	-687.00	3.46%
39400	Provision Accrued Leave f/T current	-18,248.72	-34,961.81	16,713.09	-47.80%
39410	Provision for accrued leave S/T cur	-441.33	3,437.59	2,996.26	-87.16%
39700	Provision for Education Grants	-2,368.80	-15,329.20	12,960.40	-84.55%
39710	Provision for unpaid home leav	-5,518.40	-4,635.20	-883.20	-19.05%
39720	Prov for unpaid overtime F/T	-6,297.06	-7,680.03	1,382.97	-18.01%
39730	Prov for unpaid overt	0.00	-249.04	249.04	-100%
<b>Total Employee Benefits Current</b>		<b>-178,386.31</b>	<b>-175,038.87</b>	<b>-3,596.48</b>	<b>2.05%</b>

Employee Benefits Non-Current		2015	2014	Difference in CHF and %	
39000	Provision Separation ASHI	0.00	0.00	0.00	
39301	Provision ASHI Liab Non-Curr	-945,062.00	-924,752.00	-20,310.00	2.20%
39351	Provision repatr benef non-curr	-131,290.00	-105,317.00	-25,973.00	24.66%
39401	Prov Accrued Leave Non-Current	-103,770.25	-95,123.81	-8,646.44	9.09%
<b>Total Employee Benefits Non Current</b>		<b>-1,180,122.25</b>	<b>-1,125,192.81</b>	<b>-54,929.44</b>	<b>4.88%</b>
<b>Employee Benefits</b>		<b>-1,358,508.56</b>	<b>-1,300,231.68</b>	<b>-58,525.92</b>	<b>4.50%</b>

**Table 6: Provisions for staff social benefits**

28. An actuarial study carried out by the specialist firm Mercer (Switzerland) SA provided the basis for determining most of the provisions of the balance sheet. This external consultant submitted its analysis in the document "Consolidated Total for All Plans" dated June 13, 2016. Our analysis of the actuarial study allows us to regard these values as correct.
29. The calculation of provisions for accrued leave, home leave, overtime and flextime are based on the effective rights of UPOV staff as at December 31, 2015. The provision amounts correspond to the specific balances in the items and the rights of staff.
30. It should be noted that IPSAS 25 is currently under review. In January 2016, the IPSAS Board published Exposure Draft 59 to this end. This document announces the intention of removing the "corridor" approach. This approach is currently used by UPOV. It causes actuarial differences to be delayed and they are only amortized afterwards. The date on which the new standard will come into force is not yet known but it is likely to be January 1, 2019 or 2020. This would require UPOV to retroactively apply the new rules for the previous financial year, that is, 2018 at the earliest. The removal of the corridor approach could increase the volatility of certain accounting positions.

### United Nations Joint Staff Pension Fund (UNJSPF)

31. As noted when UPOV made the transition to IPSAS, we consider that there is a potential future risk to the Union's financial statements as long as the UNJSPF is unable to provide affiliated institutions with a calculation of welfare commitments under IPSAS 25.<sup>4</sup>
32. However, since this situation is not unique to UPOV, we do not consider it necessary at this time to express reservations or mention it specifically in our audit opinion for the 2015 financial statements.

### Reduction in net assets in 2015

33. As at December 31, 2015, the net assets stood at 1,664 million. They dropped by about 200,000 francs as compared to the previous year. The surplus costs for the 2015 accounting year have already been included in the calculation of the net assets, which are as follows:

Type of funds	CHF
Reserve fund	1,050,816
Special projects fund	69,673
Working Capital fund (WCF)	543,345
<b>Total net assets as at 31.12.2015</b>	<b>1,663,834</b>

**Table 7: Total net assets as at 31.12.2015**

34. The UPOV Council decided<sup>5</sup> to establish a special fund (projects account) to fund extra-budgetary projects. It also decided to transfer into this account the amount of the reserve fund in excess of 15 per cent of total income for the 2012-2013 biennium (about 184,000 francs). The Council subsequently approved<sup>6</sup> the use of the special fund for training purposes. These two decisions were implemented in 2015 and training expenditure was recorded in the special fund. The balance of the fund is about 70,000 francs as at December 31, 2015.
35. We verified the conformity of the amount of UPOV reserves with article 4.6 of the Financial Regulations and Rules, which states: *"the use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the amount in excess shall be reimbursed to the members of UPOV, unless otherwise decided by the Council. Any member of UPOV may request that the reimbursement attributed to it be deposited in a special account or trust fund specified by it."* As the table below shows, the amount of the reserve fund is slightly higher than the 15 per cent (+0.47%) of the receipts from the 6,793 million francs recorded during the 2014-2015 biennium. It should be noted that the balance of the Special Projects Fund is not included in the amount of the reserve funds calculated.

RESERVE CEILING at the end of the 2014-2015 biennium	CHF	%
Closing balance of reserve fund 2015	1,050,816	15.47%
Receipts from 2014-2015 biennium(budget implementation)	6,793,000	100.00%
Reserves ceiling as a percentage of reserves (15% of biennium receipts)	1,018,950	15.00%
Reserve funds above 15%	31,866	0.47%

**Table 8: Reserves ceiling at the end of 2015**

36. We note that with the introduction of IPSAS standards, the annual result has become more volatile, in particular with regard to balance sheet entries for staff benefits. The Council must therefore bear in mind that excesses such as those that occurred this year are likely to be repeated in future.

<sup>4</sup> The arguments underpinning this finding were set out in detail in the report for the 2012 and 2013 financial years.

<sup>5</sup> Decision taken at the thirty-first extraordinary session of the Council on April 11, 2014.

<sup>6</sup> Decision taken at the forty-eighth ordinary session of the Council on October 16, 2014, document C/48/19.

### UPOV's income and expenditure significantly increased in 2015

37. The key values for the 2015 and 2014 operating accounts have been compared in the table below.

Reference	31.12.2015	31.12.2014	Difference 2015 v. 2014 (CHF and %)	
Personnel costs	2,200,249	2,134,016	66,233	3.01%
Travel and fellowships	583,816	413,738	170,078	41.11%
Contractual services	671,540	217,362	454,178	208.95%
Operating expenditure	621,873	621,611	262	0.04%
Equipment and stationery	43	10,250	-10,207	-99.58%
<b>Total expenditure</b>	<b>4,077,521</b>	<b>3,396,977</b>	<b>680,544</b>	<b>20.03%</b>
Statutory contributions	-3,344,506	-3,333,778	10,728	-0.32%
Voluntary contributions	-518,886	-147,764	371,122	-251.16%
Other income	-12,226	-33,544	-21,318	63.55%
<b>Total income</b>	<b>-3,875,618</b>	<b>-3,515,087</b>	<b>360,531</b>	<b>-10.26%</b>

**Table 9: Key figures 2014 and 2015 compared**

38. Costs for 2015 amounted to 4,077 million francs. They are higher by almost 681,000 francs than costs for 2014, which amounted to 3.4 million francs. The steepest rise in expenditure is in contractual services, with over 671,000 francs in costs. This is an increase of 454,000 francs. It is explained by FIT expenditure and temporary staff costs related to maternity leave.
39. We conducted various random samplings in the expenditure accounts for the 2015 financial year. These verifications were conducted in light of the original accounting documents, while also applying the principle of the relative materiality of cost elements. These detailed examinations found no errors.
40. Staff expenditure registered an increase of 66,000 francs. In total, they were over 2.2 million francs in 2015.

### Voluntary contributions rose in 2015

41. Budgetary income recorded by the Union in 2015 amounted to 3,409,000 francs. The budgeted income was 3,397,000 francs. Statutory contributions billed in 2015 amounted to 3,344,506 francs. They represent 86.6 per cent of total receipts from 2015.
42. Income from voluntary contributions amounted to about 519,000 francs, significantly higher than the income from 2014, which was about 148,000 (+371,000 francs). Other income from the 2015 financial year is relatively low. Income from liquid assets did not even reach 500 francs, whereas other receipts stood at 11,700 francs.

### Information on operations between related parties

43. Note 9 of the financial statements refers to UPOV's related parties.

	2015		2014	
	Number of persons (average)	Total remuneration (CHF)	Number of persons (average)	Total remuneration (CHF)
Managerial staff	5.00	1,121,421	5.00	1,167,022

**Table 10: Key staff of UPOV**

44. As presented since the introduction of IPSAS standards, the table of related parties indicates five people considered to be key staff members of UPOV. They are all included in a single item, "managerial staff". Note 9 of the financial statements states that the Director General of WIPO declined any remuneration for his function as Secretary-General of UPOV. He is therefore not included in this presentation. We recall, however, that paragraph 34(a) of IPSAS 20 expressly

requires a distinction to be made between persons heading the organization<sup>7</sup> and key personnel included in the related parties.

45. We have noted UPOV's intention and have informed it that this is inconsistent with IPSAS 20. This is not sufficiently serious to amend our audit opinion. However, it is our duty as External Auditor to bring this to the attention of UPOV members.

## **CONCLUSION**

46. As a result of the work undertaken, we are able to issue the audit opinion annexed to this report and drawn up in accordance with paragraph 5 of the Terms of Reference Governing Audit.

SWISS FEDERAL AUDIT OFFICE  
(External Auditor)

Eric-Serge Jeannet  
Vice Director

Didier Monnot  
Officer in charge of mandates

Annex:

- Audit Opinion

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<sup>7</sup> The Secretary-General and the Vice Secretary-General.

Annex to 1.16122.946.00335.004

## **AUDIT OPINION OF THE EXTERNAL AUDITOR**

We have audited the financial statements, as at December 31, 2015, of the International Union for the Protection of New Varieties of Plants (UPOV), including the Statement of Financial Position (Statement I), the Statement of Financial Performance (Statement II), the Statement of Changes in Net Assets (Statement III), the Statement of Cash Flow (Statement IV) and the Statement of Comparison of Budget and Actual Amounts (Statement V), as well as notes attached to the statements.

### **Responsibility of UPOV management for the financial statements**

The management is responsible for the production and fair presentation of its financial statements, in accordance with the provisions set in the International Public Sector Accounting Standards (IPSAS) and in the Financial Regulations and Rules of UPOV. Furthermore, the management is responsible for establishing the internal control it views as necessary to the production of financial statements free of significant anomalies, whether these arise from fraud or are the result of errors.

### **Responsibility of the auditor**

Our responsibility is to express an opinion on the UPOV financial statements on the basis of our audit. We have conducted our audit according to the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB). These standards require us to comply with the rules of ethics and to plan and conduct the audit with a view to obtaining a reasonable assurance that the financial statements do not contain any significant anomalies. An audit involves the implementation of procedures with a view to gathering proof of the amounts and information provided in the financial statements. The choice of procedures is made by the auditor, in the same way as the evaluation of the risks that the financial statements include significant anomalies, be they the result of fraud or of errors. By conducting this evaluation, the auditor takes into account the internal control in force in the organization relating to the production of the financial statements in order to define audit procedures appropriate to the circumstances, and not for the purpose of expressing an opinion on the effective operation of the organization's internal control. An audit also includes an assessment of the appropriateness of the accounting methods used and the reasonable character of the accounting estimates made by the management, in the same way as an assessment of the overall presentation of the financial statements. We consider that, in terms of a basis for our opinion, the proof gathered is sufficient and appropriate.

### **Opinion**

In our opinion, the financial statements give a faithful reflection, in terms of all their significant aspects, of the financial situation at UPOV as at December 31, 2015, and of its financial performance and its cash flows for the financial year which ended on that date, in accordance with the International Public Sector Accounting Standards (IPSAS) and the Financial Regulations and Rules of UPOV. In accordance with Annex II "Terms of Reference Governing External Audit" of the Financial Regulations and Rules of UPOV, we have also produced a detailed report on our audit of the UPOV financial statements in the document dated July 1, 2016.

Berne, July 1, 2016

SWISS FEDERAL AUDIT OFFICE<sup>8</sup>  
(External Auditor)

Eric-Serge Jeannot  
Vice Director

Didier Monnot  
Officer in charge of mandates

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