

Council**C/51/13****Fifty-First Ordinary Session
Geneva, October 26, 2017****Original: French
Date: August 15, 2017****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, 2016, 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 2016 are presented in document C/51/12. 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]

REPORT OF THE EXTERNAL AUDITOR

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 2016 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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Report of the Auditor

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

Audit of 2016 financial statements

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Berne, June 19, 2017

Reg. no. 1.17080.946.00335.002
modi/dear

AUDIT SUMMARY

As Auditor for the International Union for the Protection of New Varieties of Plants (UPOV), the Swiss Federal Audit Office confirms that the audit of the 2016 financial statements, presented in accordance with the International Public Sector Accounting Standards (IPSAS), yielded a good result overall and that it is in a position to issue an audit opinion without any reservations.

REGULATIONS, STANDARDS AND INFORMATION

Financial regulations and subject of 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 UPOV¹ in accordance with the IPSAS.
2. The audit related to the financial statements of the Union as at December 31, 2016, 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). A summary of the significant accounting policies and other explanatory notes are attached to the statements.

Auditing standards, information and acknowledgements

3. The audit was carried out in accordance with the International Standards on Auditing (ISA),² while also observing the additional Terms of Reference forming an integral part of the Financial Regulations and Rules of UPOV.
4. The International Standards on Auditing set out the role of the auditor with regard to the risk of anomalies in financial statements that might arise from fraud or errors (ISA 240). Accordingly, the External Auditor performed specific procedures in this area.
5. Where audits by means of random sampling were carried out, my colleagues selected the samples based on the risks or relative size of the amounts recorded under the headings examined.
6. Matters of minor importance that were clarified and discussed with those responsible during the audit are not included in this report.
7. During our audit, Mr. Ariel Decrauzat of the CDF met regularly with Mr. Dorian Chambonnet, IPSAS specialist in the Finance Service and other staff of UPOV and WIPO. All the information and documents required to complete our work were provided to Mr. Decrauzat.
8. The CDF wishes to highlight the excellent cooperation and the openness that characterized the audit process and to convey its thanks for the readiness with which documents and information were provided by all staff of UPOV and WIPO who were contacted.
9. The results of the audit were provided to Mr. Peter Button, Vice-Secretary-General of UPOV, during the final discussion on June 19, 2017.
10. 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 June 19, 2017, from his staff that there were no additional comments.
11. The original drafting language of this report is French and we note that the French version is the authoritative text.

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

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

FOLLOW-UP OF RECOMMENDATIONS

12. 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

13. Pursuant to the specific agreement between WIPO and UPOV, WIPO's financial services manage the accounts of UPOV. Hence, the existence and quality of the ICS of UPOV is dependent on what is found within these services.
14. We noted existing flow diagrams and process descriptions in the following fields in WIPO: expenditure, financial services, project management, income, investment and reconciliations. Moreover, document templates are also available. We noted that flow diagrams and process descriptions were updated in 2016. We further noted that those concerning accounts in general³ exist in draft form. This last area was reviewed by WIPO following the reorganization of posts within the Finance Service.
15. The examinations conducted during the audit, the additional information obtained from WIPO and UPOV staff respectively and the analysis of documents enable us to consider that the ICS is effective. Thus, UPOV is able to present its financial statements without significant anomalies.
16. The principle of joint signatures of two persons is applied for banking relationships and disbursements. Signature rights are up to date for all bank accounts and other payment authorizations.
17. As regards general information technology controls, WIPO ensures that access rights for the information technology system are regulated. The strength of passwords is appropriately determined.
18. It should be noted that the audit opinion relies on assessment as to the existence of formal processes and key controls in light of the risks. The auditor does not provide an opinion on their durability and effectiveness.

PRODUCTION OF IPSAS-COMPLIANT FINANCIAL STATEMENTS

The presentation of the 2016 financial statements is IPSAS-compliant

19. UPOV's 2016 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. WIPO has not updated this manual since 2014. The WIPO Finance Service is aware that the manual should be updated in light of the new standards that are now applicable.
20. The IPSAS Board has published five new standards which entered into force on January 1, 2017 as follows:
 - IPSAS 34, Separate Financial Statements;
 - IPSAS 35, Consolidated Financial Statements;

³ Treasury – Policy & SOP scope, Bank account opening, Bank account closing, Year-end certification process, Operating Cash Investments.

- IPSAS 36, Investments in Associates and Joint Ventures;
- IPSAS 37, Joint Arrangements; and
- IPSAS 38, Disclosure of Interests in Other Entities.

These five standards replace the following standards: IPSAS 6, Consolidated and Separate Financial Statements; IPSAS 7, Investments in Associates; and IPSAS 8, Interests in Joint Ventures. They entered into force on January 1, 2017. Moreover, IPSAS 39 (Employee Benefits) will enter into force on January 1, 2018. It will replace the current IPSAS 25. A new standard, IPSAS 40 (Public Sector Combinations), will become applicable on January 1, 2019.

AUDIT OF 2016 BUDGET PERFORMANCE

Budget performance in 2016 shows a surplus

21. The 2016 budget is part of the 2016-2017 biennium budget adopted by the Council at its forty-ninth ordinary session on October 29, 2015. It forecast a balance between income and expenditure for 2016 in the amount of 3,412 million Swiss francs. The financial year under review shows an income surplus of about 192,000 Swiss francs. This does not take account of adjustments, including the treatment of extra-budgetary resources. A comparison between the budget and financial statements for 2016 can be summarized as follows.

| Item | Budget (CHF) | Accounts (CHF) | Difference accounts vs. budget (CHF and %) | |
|-----------------------------|--------------|-----------------|--|--------|
| Income 2016 | -3,412,000 | -3,431,000 | 19,000 | -0.56% |
| Expenditure 2016 | 3,412,000 | 3,239,000 | 173,000 | 5.07% |
| Result 2016 (profit) | 0 | -192,000 | 192,000 | |

Table 1: 2016 budget compared to 2016 financial statements

22. 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 2016. Statement V (Statement of Comparison of 2016 Budget and Actual Amounts as at December 2016) shows the main variations in the accounting items between the budget and the actual figures for the year.

AUDIT OF 2016 FINANCIAL STATEMENTS

UPOV's financial situation is healthy

23. A comparison of the balance sheets for 2016 and 2015 is provided below. Our comments on significant balances from the 2016 accounts appear in subsequent paragraphs.

| Reference | Amounts in CHF | | |
|----------------------------------|----------------|-----------|-------------------------|
| | 2016 | 2015 | Variation 2016 vs. 2015 |
| Balance sheet total | 5,405,813 | 4,698,511 | 707,302 |
| Liquid assets | 5,275,496 | 4,503,112 | 772,384 |
| Other Assets | 130,317 | 195,399 | -65,082 |
| Foreign funds | 2,180,443 | 1,676,169 | 504,274 |
| Provisions for employee benefits | 1,486,503 | 1,358,508 | 127,995 |
| Reserve fund | 1,178,231 | 1,050,816 | 127,415 |
| Special projects fund | 13,957 | 69,673 | -55,716 |
| Working capital fund | 546,679 | 543,345 | 3,334 |

Table 2: Comparison of key values for 2016 and 2015

Liquid assets increased 2015 and 2016

- 24. The "Confirmation of business relationship" issued by UBS attests to UPOV's available assets in the bank accounts it holds. The open balances in the three bank accounts amount to about 1,314 million Swiss francs. The total of these liquid assets has increased by over 707,000 Swiss francs from the opening balance as at January 1, 2016 to the closing balance. Various accounting operations validate these figures, including expected payments by members and the increase in liquid assets from extra-budgetary resources (75,000 Swiss francs). We note the new budgetary item concerning "Funds held for ASHI Liability". This is a strategic fund established in 2016 (678,000 Swiss francs).
- 25. The account held with the Federal Finance Administration (AFF) may be retained until the end of 2017. The AFF had intended to end its business relationship with all customers outside the Swiss Confederation by the end of 2015. It ultimately extended this time limit to December 15, 2017. UPOV funds held with the AFF have not changed since 2015 and remain at almost 3.962 million Swiss francs as at end 2016.
- 26. It is worth noting that no cash account earned interest or suffered negative interest during the 2016 financial year.
- 27. UPOV's working capital fund (WCF) increased by 3,334 Swiss francs in 2016. Its current balance is 546,679 Swiss francs. This increase in the WCF is explained by the contributions of Montenegro and the United Republic of Tanzania.
- 28. Random sampling of accounting transactions involving liquid assets showed no errors. It confirms the regularity of the transactions.

Arrears in contributions have more than doubled in 2016

- 29. Receivables open for members stood at 23,446 Swiss francs as at December 31, 2014. At the end of 2015, this amount had almost doubled to 46,444 Swiss francs. As at December 31, 2016, arrears in contributions stood at almost 106,000 Swiss francs, having more than doubled between 2015 and 2016. The details of open receivables are shown in the table below.

| Amount of contribution arrears in 2016 | |
|--|----------------|
| Member | CHF |
| Bolivia (Plurinational State of) | 10,728 |
| Brazil | 13,410 |
| Panama (balance) | 1,408 |
| Peru | 10,728 |
| Poland | 26,820 |
| Ukraine | 32,184 |
| United Republic of Tanzania | 10,728 |
| Total | 106,006 |

Table 3: Details of contributions in abeyance at the end of 2016

30. Contributions for the 2016 financial year stand at 3,365,962 Swiss francs. As at end 2015, they stood at 3,344,506 Swiss francs. The increase in income (21,456 Swiss francs) is explained by the two new members registered in 2015 (Montenegro and the United Republic of Tanzania). These are two contributions of 10,728 Swiss francs each (0.2 contributory unit per member). The audit confirmed that the income was accurate and complete.
31. Some members paid their contributions in advance. Their payments are in excess of 486,000 Swiss francs. The following countries paid in advance:

| Advance payments as at Dec. 31, 2016 (in CHF) | |
|--|----------------|
| Australia | 53,641 |
| Colombia | 10,728 |
| Costa Rica | 10,728 |
| Japan | 268,205 |
| Mexico (2017) | 40,231 |
| Mexico (2018) | 647 |
| Montenegro | 10,728 |
| Norway | 53,641 |
| Slovakia | 26,820 |
| The former Yugoslav Republic of Macedonia | 10,728 |
| Total | 486,097 |

Table 4: Advance payments of contributions

Liaison accounts facilitate inter-organizational transactions

32. Financial transactions between WIPO, UPOV and FITSU (extra-budgetary resources) are facilitated by liaison accounts. In general, the balance of these two accounts rose from a closing balance of 1.213 million Swiss francs in 2015 to 1.562 million Swiss francs at the end of 2016. Random sampling for fund transfer among the organizations showed no errors. The consistency of the balances was verified in the respective accounts of these entities.

Staff benefits: an actuarial study makes it possible to determine the amount of provisions

33. The actuarial specialist firm Mercer (Switzerland) S.A. conducted a study of provisions for staff benefits. Its opinion is found in document "IPSAS-25 Actuarial Valuation Report as of December 31, 2016 – After-Service Health Insurance and Repatriation Benefits", dated March 24, 2017. We verified the actuarial hypotheses used by the actuary for the calculation of commitments as at December 31, 2016. These are consistent with current market conditions and the characteristics of UPOV.
34. Provisions for staff benefits are updated annually. We note that they increased by almost 128,000 Swiss francs at the end of 2016 and now exceed 1.486 million Swiss francs as at end 2016 (as against 1.358 million Swiss francs at the end of 2015). The variation in provisions between 2016 and 2015 has been verified and found to be in order.
35. The calculation of provisions for accrued leave, home leave, overtime and flexitime are based on the effective rights of UPOV staff as at December 31, 2016. The provision amounts therefore correspond to the specific balances in the items and the rights of staff.
36. We note that the revision of IPSAS 25 was adopted by the IPSAS Board. New IPSAS 39 will enter into force on January 1, 2018. This will see the abolition of the "corridor" method, under which accounts did not immediately record actuarial differences, that is, variations in the retirement commitments resulting from changes to hypotheses or adjustments based on experience. This approach was explained by the desire to limit the volatility of the provision and the immediate recording of a profit or loss in the financial results. UPOV plan to apply this standard early when it submits its financial statements for 2017.
37. The retirement of the corridor method means that increased volatility in account positions are to be expected. For example, the negative amounts of 507,174 Swiss francs as at December 31, 2015 and 1,050,665 Swiss francs as at December 31, 2016 respectively appear under "Unrecognized net actuarial gain/(loss)" of the table entitled "Company Liability" of the

2016 actuarial study. The amount projected for December 31, 2017 of minus 988,514 Swiss francs remains very high.

United Nations Joint Staff Pension Fund (UNJSPF), a potential future risk for the UPOV financial statements

38. As noted when UPOV adopted the IPSAS standards, we consider that there is a potential future risk to the financial statements of UPOV as long as the UNJSPF is unable to provide its affiliated institutions with a calculation of pension commitments under IPSAS 25.⁴
39. 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 2016 financial statements.

Justified increase in net assets in 2016

40. We verified the total amount of nearly 1.739 million Swiss francs which corresponds to the net assets recorded in the 2016 financial statements. We observed that the reserves amount to 1.178 million Swiss francs in the middle of the 2016-2017 biennium. Net total assets increased by about 75,000 Swiss francs as compared to 2015. The surplus income from the 2016 accounting year is included in this total.

| Type of fund | CHF |
|---|------------------|
| Reserve fund | 1,178,231 |
| Special projects fund | 13,957 |
| Working Capital Fund | 546,679 |
| Total net assets as at Dec. 31, 2016 | 1,738,867 |

Table 5: Total net assets as at Dec. 31, 2016

41. The special project fund which the UPOV Council⁵ decided to establish to fund extra-budgetary projects was drawn from the amount of the reserve fund in excess of 15 per cent of total income for the 2012-2013 biennium (about 184,000 Swiss francs). This special fund is intended to be used for training projects and was approved by the Council in 2014.⁶ At the end of 2016, the balance of the fund was less than 14,000 Swiss francs.

UPOV's income and expenditure fell in 2016

42. The income and expenditure of the 2016 and 2015 operating accounts are compared in the table below.

| Type of income/expenditure | 31.12.2016 | 31.12.2015 | Diff. 2016 vs. 2015 (CHF and %) |
|----------------------------|-------------------|-------------------|---------------------------------|
| Personnel costs | 2,172,306 | 2,200,249 | -27,943 -1.29% |
| Travel and fellowships | 405,862 | 583,816 | -177,954 -30.48% |
| Contractual services | 475,044 | 671,540 | -196,496 -29.26% |
| Operating expenditure | 620,567 | 621,873 | -1,306 -0.21% |
| Equipment and stationery | 842 | 43 | 799 1,858.14% |
| Total expenditure | 3,674,621 | 4,077,521 | -402,900 -9.88% |
| | | | |
| Contributions | -3,365,962 | -3,344,506 | 21,456 -0.64% |
| Extra-budgetary resources | -357,839 | -518,886 | -161,047 31.04% |
| Other income | -22,519 | -12,226 | 10,293 -84.19% |
| Total income | -3,746,320 | -3,875,618 | -129,298 3.34% |
| (Profit)/Loss | -71,699 | 201,903 | |

Table 6: Comparison of income and expenditure for 2016 and 2015

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

⁵ Decision taken during the thirty-first extraordinary session of the Council on April 11, 2014.

⁶ Decision taken during the forty-eighth ordinary session on October 16, 2014, document C/48/19.

43. In general, expenditure recorded in 2016 was lower than for 2015. The comparison of figures for these two years shows that costs fell by over 402,000 Swiss francs, i.e., almost 10%.
44. The slight reduction in expenditure on personnel is mainly explained by the absence of home leave in 2016 and the reduction of temporary staff. Travel and fellowships expenditure fell by almost 178,000 Swiss francs. This is explained by the reduction of the number of participants in conferences.
45. The provision of "contractual services" fell in the area of extra-budgetary projects. Conversely, there was an increase in expenditure for interpretation fees and on expenditure relating to phase two of the "UPOV Electronic Application Platform" project. The total fall in expenditure under this item was in the order of 196,000 Swiss francs.
46. Random samplings of the expenditure accounts for 2016 financial year, using the original accounting documents, allow us to validate the expenditure recorded. The detailed examinations found no errors whose relative significance would have required the correction of the financial statements.

New members explain the slight increase in contributions

47. Income recorded in 2016 amounted to more than 3.746 million Swiss francs. Income from contributions billed in 2016 amounted to 3,365,962 Swiss francs, an increase of 21,456 Swiss francs arising from two contributions of 0.2 points each. Contributions account for practically 90% of the total income recorded in UPOV's accounts in 2016.
48. Net extra-budgetary income in 2016 was about 358,000 Swiss francs. In 2015, this budget item yielded almost 519,000 Swiss francs. The fall in extra-budgetary resources of about 161,000 Swiss francs between the two years is because the funds from Japan and the Netherlands had been received in 2015 and partly spent in 2016.

Operations between related parties

49. Note 10 of the financial statements for 2016 shows an amount of 1.201 million Swiss francs, being remuneration for five key staff members of UPOV (1.121 million Swiss francs in 2015). It should be noted that the Director General of WIPO declined any remuneration for his function as Secretary-General of UPOV. As stated in note 10, his salary is not included in the comparison table for 2016 and 2015. Paragraph 34(a) of IPSAS 20 expressly requires a distinction to be made between persons heading the organization⁷ and their subordinates.
50. In 2012, the SFAO noted UPOV's intention and informed it that this is inconsistent with IPSAS 20. This is not sufficiently serious to amend our audit opinion. It is, however, our duty as External Auditor to bring this to the attention of UPOV members.

The 2016 financial statements present IPSAS-compliant tables

51. The 2016 financial statements present IPSAS-compliant tables. These are: 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).

⁷ The Secretary-General and the Vice-Secretary-General.

CONCLUSION

52. As a result of the work undertaken, the SFAO is able to issue the audit opinion annexed to this report and prepared in accordance with paragraph 5 of the Terms of Reference Governing Audit. In addition, having regard to the materiality threshold predetermined in accordance with international auditing standards, the SFAO further confirms that the accounting data published in the financial statements correspond to UPOV's accounts.

SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Eric-Serge Jeannet
Vice Director

Didier Monnot
Officer in charge of mandates

Annex
Audit opinion

Annex to 1.17080.946.00335.002

To the UPOV Council

Financial Audit Report

Opinion

The SFAO has audited the financial statements of UPOV, which comprise the statement of financial position as at December 31, 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flow and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the opinion of the SFAO, the financial statements present fairly, in all material respects, the financial position of UPOV as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and UPOV's Financial Regulations and Rules.

Basis for Opinion

The SFAO conducted its audit in accordance with International Standards on Auditing (ISAs). Its responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of financial statements*" section of its report. The SFAO is independent of UPOV in accordance with the ethical requirements that are relevant to its audit of the financial statements in Switzerland, and it has fulfilled its other ethical responsibilities in accordance with these requirements. The SFAO believes that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

Material uncertainty related to going concern

We express no uncertainty at this time regarding UPOV as a going concern.

Responsibilities of the Secretary-General for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and UPOV's Financial Regulations and Rules, and for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing UPOV's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary-General either intends to liquidate UPOV or to cease operations, or has no realistic alternative but to do so.

The Secretary-General is responsible for overseeing UPOV's financial reporting process.

Auditor's responsibilities for the audit of financial statements

Its objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes its opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, the SFAO exercises professional judgement and maintains professional skepticism throughout the audit. It also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UPOV's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.
- Concludes on the appropriateness of the Secretary-General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UPOV's ability to continue as a going concern. If the SFAO concludes that a material uncertainty exists, the SFAO is required to draw attention in its auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify its opinion. Its conclusions are based on the audit evidence obtained up to the date of its auditor's report. However, future events or conditions may cause UPOV to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The SFAO communicates with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that it identifies during its audit.

Berne, June 19, 2017

SWISS FEDERAL AUDIT OFFICE⁸
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