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| International Union for the Protection of New Varieties of Plants |  |

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| CouncilFifty-Second Ordinary SessionGeneva, November 2, 2018 | C/52/13Original: French Date: August 29, 2018 |

REPORT OF THE EXTERNAL AUDITOR

Document prepared by the Office of the Union

*Disclaimer: this document does not represent UPOV policies or guidance*

 The Financial Statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2017, 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 2017 are presented in document C/52/12. The Annex to this document contains the audit report of the External Auditor.

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

[Annex follows]



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| Audit of 2017 financial statementsInternational Union for the Protection of New Varieties of Plants (UPOV) |

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**Annex 1: Report of the External Auditor**

*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.*

*For more information, please contact:*

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Audit of 2017 financial statements

International Union for the Protection of New Varieties of Plants (UPOV)

Audit summary

1. The Swiss Federal Audit Office (SFAO) would like to start by stating that this audit coincides with its latest mission to the International Union for the Protection of New Varieties of Plants (UPOV). On this occasion, the SFAO wishes to reiterate its thanks to UPOV for all these long years of fruitful collaboration and presents its best wishes for the future.
2. The 2017 financial statements of UPOV have been presented in accordance with the International Public Sector Accounting Standards (IPSAS). The auditing of these statements yielded a good result overall and SFAO is in a position to issue an audit opinion without any reservations. Audit tests on the accounts enabled SFAO to establish that the accounting records are properly maintained and the quality of the 2017 financial statements is good.

**Successful early implementation of IPSAS 39**

1. During the year under review, UPOV decided to implement IPSAS 39 on employee benefits early. Indeed, since the 2016 financial statements had to be readjusted in any case, to ensure their compliance with the new standard, UPOV took advantage of the end of the 2016-2017 biennium to do this. The readjustments were made thanks to the actuarial expertise of the specialized firm Mercer SA. The result was a significant decrease of over 993,000 Swiss francs in net assets, mainly due to discontinuation of the “corridor method” previously applied under IPSAS 25.

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, and by the Financial Regulations and Rules of UPOV[[1]](#footnote-2) in accordance with IPSAS.
2. The audit related to the financial statements of the Union as at December 31, 2017, 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

1. The audit was carried out in accordance with the International Standards on Auditing (ISA),[[2]](#footnote-3) while also observing the additional Terms of Reference forming an integral part of the Financial Regulations and Rules of UPOV.
2. 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.
3. 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.
4. Matters of minor importance that were clarified and discussed with those responsible during the audit are not included in this report.
5. 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.
6. During our audit, Ms. Virginie Bugnon and Mr. Ariel Decrauzat, auditors at SFAO, regularly met with various staff from UPOV and WIPO. All the information and documents required to complete our work were provided to them. The results of the audit were provided to the Vice-Secretary-General of UPOV, during the final discussion on Friday, May 25, 2018.
7. 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 May 25, 2018, from his staff that there were no additional comments.
8. The original drafting language of this report is French and we note that the French version is the authoritative text.

Follow-up of recommendations and internal control system

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

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

1. 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 mainly on what is found within these services.
2. The SFAO noted that the Office of the Controller has strengthened its team by creating the post of risk management and internal control specialist. Moreover, WIPO still has its Internal Oversight Division as an independent internal oversight body. These two bodies contribute to the proper functioning of WIPO, and implicitly of UPOV, particularly in the area of finance.
3. 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.
4. 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.
5. 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.
6. 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 financial statements according to IPSAS

The presentation of the 2017 financial statements is IPSAS-compliant

1. UPOV’s 2017 financial statements were prepared according to IPSAS standards. The WIPO document “POLICY GUIDANCE MANUAL FOR INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS” (2015 version) sets out the key points of preparing the financial statements. WIPO has not updated this manual since then. The WIPO Finance Service is aware that the manual should be updated in light of the new standards that are now applicable.
2. UPOV's 2017 financial year was closed in accordance with IPSAS. These standards are a rapidly evolving accounting framework that requires continuous updating of the knowledge and presentation items included in the financial statements. UPOV took advantage of the end of the 2016-2017 biennium to implement IPSAS 39 “Employee benefits” as from January 2017; i.e., one year in advance. It will replace the erstwhile IPSAS 25. It was noted that a new standard, namely “Public Sector Combinations (IPSAS 40)”, will become applicable from January 1, 2019.

Audit of 2017 budget performance

Budget performance in 2017 shows a deficit

1. The 2017 budget is an integral part of the 2016-2017 biennium budget. It was adopted by the Council at its forty-ninth ordinary session on October 29, 2015 and forecast a balance between income and expenditure for 2017 in the amount of 3,412 million Swiss francs. The financial year under review shows an income deficit of 166,000 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 2017 can be summarized as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Item*** | ***Budget (CHF)*** | ***Accounts (CHF)*** | ***Difference accounts vs. budget*** |
| ***(CHF and %)*** |
| Income 2017 | -3,412,000 | -3,420,000 | 8,000 | -0.23% |
| Expenditure 2017 | 3,412,000 | 3,586,000 | -174,000 | -5.10% |
| **Result 2017 (expenditure surplus)** | **0** | **166,000** | **-166,000** |   |

**Table 1: 2017 budget compared to 2017 financial statements**

1. 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 2017. Statement V (Statement of Comparison of 2017 Budget and Actual Amounts as at 31 December 2017) shows the main variations in the accounting items between the budget and the actual figures for the year. The second financial statement V incorporated in that document further presents the values for the 2016-2017 biennium.

Audit of 2017 financial statements

Readjustment of the 2016 accounts

1. The 2016 accounts presented in the 2017 financial statements had to be readjusted following the early adoption of IPSAS 39 on employee benefits. The table of readjusted operations is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Items** | **2016 (before readjustment)** | **Readjusted in accordance with IPSAS 39** | **2016 (readjusted)** |
| (Amounts in Swiss francs) |
| **BALANCE SHEET** |
| **Total assets** | **5,405,813** | **-** | **5,405,813** |
| Health insurance after termination of service | 1,183,628 | 1,050,665 | 2,234,293 |
| Accumulated leave | 125,293 | (57,573) | 67,720 |
| Other debts | 2,358,025 | - | 2,358,025 |
| **Total liabilities** | **3,666,946** | **993,092** | **4,660,038** |
| Accumulated surplus | 1,178,231 | 82,602 | 1,260,833 |
| Miscellaneous | 560,636 | - | 560,636 |
| Actuarial gains/(losses) per net asset | - | (1,075,694) | (1,075,694) |
| **NET ASSETS** | **1,738,867** | **(993,092)** | **745,775** |
|  |  |  |  |
| **OPERATING ACCOUNT** |  |  |  |
| **Total income** | **3,746,320** | **-** | **3,746,320** |
| Expenditure on health insurance after termination of service | 148,054 | (23,097) | 124,957 |
| Expenditure on accumulated leave | 2,833 | 1,220 | 4,053 |
| Other expenditure | 3,523,734 | - | 3,523,734 |
| **Total expenditure** | **3,674,621** | **(21,877)** | **3,652,744** |
| **SURPLUS FOR THE YEAR** | **71,699** | **21,877** | **93,576** |

**Table 2: Readjustments due to the adoption of IPSAS 39**

1. Explanations on the readjustment of the 2016 accounts are presented on page 16 of the 2017 financial statements. The accounting for these adjustments was verified during the audit under review and found to be in order.

Changes in UPOV's financial situation in 2017 relative to 2016

1. A comparison of the balance sheets for 2017 and 2016 is provided below. Our comments on significant balances from the 2017 accounts appear in subsequent paragraphs.

|  |  |
| --- | --- |
|  | **Amounts in CHF** |
| **References** | **2017** | **2016readjusted** | **Variation2017 vs. 2016 readjusted** |
| Balance sheet total | 4,201,382 | 5,405,813 | -1,204,431 |
| Liquid assets | 4,115,186 | 5,275,496 | -1,160,310 |
| Short-term liabilities | 1,315,607 | 2,410,591 | -1,094,984 |
| Provisions for employee benefits | 2,255,945 | 2,249,447 | 6,498 |
| Reserve fund | 970,470 | 1,260,833 | -290,363 |
| Actuarial gains (losses) through net assets | -901,276 | -1,075,694 | 174,418 |
| Special projects fund | 13,957 | 13,957 | 0 |
| Working capital | 546,679 | 546,679 | 0 |

**Table 3: Comparison of key values for 2017 and 2016**

A justified decline in liquidity

1. UPOV funds held at UBS amount to approximately 2,448 million Swiss francs. This liquidity was confirmed to us through an attestation of the Bank's business relations.
2. The account held with the Federal Finance Administration (FFA) had to be closed in 2017. Liquidity was transferred to accounts opened with Credit Suisse in various currencies (Swiss franc, New Zealand dollar, United States dollar and Euro). The balances of these new accounts are validated on the bank's business relationship certificate and amounted to 1.666 million Swiss francs as at December 31, 2017.
3. Overall, available funds in both banks decreased by 1,160 million Swiss francs in 2017. This liquidity decline on the assets side of the balance sheet is mainly offset by a reduction in assets due to WIPO recorded in the liaison accounts shown on the liabilities side of the balance sheet (accounts 16612 and 16614 WIPO-UPOV/FITSU).
4. It is worth noting that no cash account earned interest or suffered negative interest during the 2016 financial year.
5. The UPOV working capital fund remained at the same level as last year. It still stands at 546 679 Swiss francs, since no new membership was recorded in 2017.
6. Random sampling of accounting transactions involving liquid assets showed no errors. It confirms the regularity of the transactions.

Assessed contribution arrears controlled

1. UPOV's receivables open for members decreased by some 37,000 Swiss francs in 2017 to nearly 69,000 Swiss francs as at December 31, 2017. The details of statutory contributions due are as follows:

|  |
| --- |
| **Amount of contribution arrears in 2016** |
| **Member** |  **CHF** |
| Bolivia (Plurinational State of) | 10,728 |
| Brazil | 13,410 |
| OAPI (African Intellectual Property Organization) | 185 |
| Oman | 180 |
| Panama | 1,451 |
| Ukraine | 42,912 |
| **Total** | **68,866** |

**Table 4: Details of statutory contributions in abeyance at the end of 2017**

1. Assessed contributions for the 2017 financial year stand at 3,365,962 Swiss francs and are identical to those of 2016. The audit confirmed that the income was accurate and complete.
2. Some Member States have paid their contribution in advance. Their payments are in excess of 260,000 Swiss francs. The following countries have paid in advance.

|  |
| --- |
| **Advance payments as at Dec. 31, 2016** |
| Colombia | 10,728 |
| Lithuania | 10,728 |
| Mexico (out of which CHF4,530 for 2019) | 44,761 |
| Montenegro | 10,728 |
| New Zealand | 53,641 |
| Norway | 53,641 |
| Poland | 26,820 |
| Singapore | 10,728 |
| Slovakia | 26,820 |
| United Republic of Tanzania | 740 |
| Uruguay | 10,728 |
| **Total** | **260,063** |

**Table 5: Advance payments of contributions**

Judicious reduction of liaison account balances

1. Financial transactions between WIPO, UPOV and FITSU (extra-budgetary resources) are facilitated by inter-organizational liaison accounts. Overall, the balances of both accounts declined by almost 836 000 Swiss francs. Together, they yield a total of 726 000 Swiss francs in favor of WIPO at the end of 2017. This mainly stems from the fact that the cash held in the banks no longer generates interest. Thus, UPOV preferred to reduce its debts to WIPO.

Extra-budgetary resources

1. UPOV also receives extra-budgetary resources for specific projects defined under “Funds in trust (FIT)”. These resources include the funding of related administrative costs to the tune of 13%. During its audit, SFAO noted that the management costs for the fund with the USPTO[[3]](#footnote-4) are included only when the final statement is sent to and accepted by the partner. Thus, the periodic delimitation of administrative costs is not completely ensured. Since this principle has been applied from the very beginning, there is a time difference in the presentation of costs that does not create a significant deviation relative to the correct delimitation. Consequently, SFAO will not make a recommendation in this regard. However, it should be noted that the transfer of cash to cover the administrative costs of FIT USPTO is conditional on the validation of each statement by the USPTO. In this regard, UPOV has no control over the assets until the statement has been validated. For this reason, UPOV has chosen to defer accounting of the income until the validation of each statement.

An actuarial valuation is required to estimate commitments related to employee benefits

1. The assessment of provisions relating to employee benefits was the subject of an actuarial valuation by the specialized firm Mercer (Switzerland) SA. As mentioned in paragraph 25 above, the application of IPSAS 39 to 2017 accounts resulted in the abolition of IPSAS 25 and the “corridor method”. Thus, the estimates made for end-2016 accounts had to be reviewed and readjusted. The opinion of Mercer SA is found in document “IPSAS-39 Actuarial Valuation Report as of December 31, 2017 – After-Service Health Insurance and Repatriation Benefits”, dated Thursday, May 17, 2018. The 2016 data to be readjusted as well as projections are included. We verified the actuarial hypotheses used by the actuary for the calculation of commitments as at December 31, 2016 (readjusted) and as at December 31, 2017. These are consistent with current market conditions and the characteristics of UPOV.
2. The annual adjustment of employee benefit provisions did not yield any significant changes between the amounts readjusted at the end of 2016 and the new balances at the end of 2017. The SFAO notes that total provisions fell by approximately 23,000 Swiss francs between the two years. However, it should be noted that accounts 39300 and 39301 “Short-term and long-term provisions for employee benefits” have varied significantly with the elimination of the corridor method. Indeed, the provision of 1.184 million Swiss francs determined in the 2016 financial statements increased by over 1 million Swiss francs[[4]](#footnote-5) after readjustment to stand at 2.234 million Swiss francs in the readjusted 2016 accounts. Today, the total for both accounts is 2,209,000 Swiss francs. The variation in provisions between 2016 and 2016 (both readjusted and non-readjusted figures) has been verified and found to be in order.
3. The calculation of provisions for accrued leave, home leave, overtime and flexitime are based on the effective rights of UPOV staff as at Sunday, December 31, 2017. The provision amounts therefore correspond to the specific balances of various items and staff benefits.

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

1. As noted immediately after resumption of the mandate of auditor, 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 39.[[5]](#footnote-6) 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 2017 financial statements.

Justified decrease in net assets in 2017

1. The sharp fall in the total net assets stems mainly from the readjustment of the 2016 accounts in accordance with IPSAS 39. At the end of 2016, the non-adjusted amount was close to 1.739 million Swiss francs. After the readjustment made in 2016, total net assets amounted to approximately 746,000 Swiss francs. Given its evolution in 2017, net assets as at December 31, 2017 were 629,830 Swiss francs.

|  |  |
| --- | --- |
| **Account** | **CHF** |
| 53500 WCF UPOV  | 546,679.00 |
| 56000 ASHI Act Gain Loss | -901,276.00 |
| 56501 Reserve Fund UPOV | 1,274,790.12 |
| **Total** | **920,193.12** |
| **Result for the year (loss)** | **-290,363.26** |
| **TOTAL NET ASSETS** | **629,829.86** |

**Table 6: Total net assets as at Dec. 31, 2017**

Increased expenditure and declining income in 2017

1. The expenditure recorded in 2017 exceeded the adjusted 2016 figures. It amounted to over 3.934 million Swiss francs, representing an expenditure surplus of approximately 282,000 Swiss francs.
2. In contrast, the income received in 2017 was 102,000 Swiss francs lower than the figure recorded in the readjusted 2016 accounts. The table below shows the trends per cumulative accounting headings:

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of income/expenditure** | **31.12.2017.** | **31.12.2016readjusted** | **Diff. 2017 vs. 2016 (CHF and %)** |
| Personnel costs  | 2,262,006 | 2,150,429 | 111,577 | 4.93% |
| Interns | 12,343 | 0 | 12,343 | 100.00% |
| Travel and fellowships | 467,811 | 405,862 | 61,949 | 15.26% |
| Contractual services | 572,422 | 475,044 | 97,378 | 20.50% |
| Operating expenditure | 619,227 | 620,567 | -1,340 | -0.22% |
| Materials and Supplies | 972 | 842 | 130 | 15.44% |
| ***Total expenditure*** | ***3,934,781*** | ***3,652,744*** | ***282,037*** | ***7.72%*** |
|   |   |   |   |   |
| Contributions  | -3,365,962 | -3,365,962 | 0 | 0.00% |
| Extra-budgetary resources | -257,525 | -357,839 | -100,314 | 28.03% |
| Other income | -20,931 | -22,519 | -1,588 | 7.05% |
| ***Total income*** | ***-3,644,418*** | ***-3,746,320*** | ***-101,902*** | ***2.72%*** |
| **(Profit) / loss** | **290,363** | **-93,576** |   |

**Table 7: Comparison of income and expenditure for 2017 and readjusted figures for 2016**

1. Personnel costs increased by 112,000 Swiss francs in 2017 to over 2,262 million Swiss francs more due to a rise in dependency allowances, an increase in overtime, home leave and accumulated leave expenses, or even school fees, for example. It should be noted that the decline in personnel costs is offset by the hiring of temporary staff.
2. Travel and fellowships expenditure amounted to 468,000 Swiss francs. In 2016, it was approximately 406,000 Swiss francs or 62,000 Swiss francs less.
3. Expenditure on contractual services was 97 000 Swiss francs higher in 2017 than in 2016. While expenditure on the remuneration of interpreters and IT commercial suppliers fell, expenditure on other commercial suppliers rose from approximately 177,000 Swiss francs in 2016 to 388,000 Swiss francs in 2017.
4. The income recorded in 2017 was lower than that of 2016. While assessed contributions remained at the same level in 2017 relative to 2016, extra-budgetary resources decreased by more than 100,000 Swiss francs. Other income shows an intangible difference between the two years under review.
5. Random samplings of the expenditure accounts for 2017 financial year, using the original accounting documents, allow us to validate the expenditure recorded. The detailed examinations did not reveal any errors. It should be noted that the controls were performed taking into account the principle of the relative importance of the various items.

Operations between related parties

1. Note 10 of the financial statements for 2017 shows an amount of 1.212 million Swiss francs, being remuneration for five key staff members of UPOV. 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 2017 and 2016. Paragraph 34(a) of IPSAS 20 expressly requires a distinction to be made between persons heading the organization and their subordinates.
2. In 2012, we noted UPOV’s intention and informed it that this procedure is totally 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 2017 financial statements present IPSAS-compliant tables and notes

1. The 2017 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).
2. The notes included in the financial statements also comply with the information requirements of IPSAS.

Conclusion

1. As a result of the work undertaken, we are 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, we further confirm that the accounting data published in the financial statements correspond to UPOV’s accounts.

SWISS FEDERAL AUDIT OFFICE

(Auditor)

Eric-Serge Jeannet Didier Monnot

Vice Director Officer in charge of mandates

Annex 1: Report of the Auditor

*To the UPOV Council*

Financial Audit Report

Opinion

We have audited the financial statements of UPOV as at Sunday, December 31, 2017, including the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts, as well as notes and annexes attached to the statements, including the summary of significant accounting policies.

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 Sunday, December 31, 2017, 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.

Basis of audit opinion

The audit was carried out in accordance with the International Standards on Auditing (ISAs). Our responsibilities under these standards are detailed under “Responsibilities of the auditor for the audit of financial statements” below. We are independent of the Organization in accordance with the rules of ethics applicable to financial statements in Switzerland and fulfilled other ethical responsibilities incumbent upon us under these rules. We consider that the proof we obtained is sufficient and adequate to form an opinion.

Significant uncertainty with regard to the going concern

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

The Secretary-General’s Responsibility for the Financial Statements

The Secretary-General is responsible for producing and presenting accurate financial statements in accordance with IPSAS and the UPOV Financial Regulations and Rules, as well as internal control he views as necessary to the production of financial statements free of significant anomalies, whether these arise from fraud or errors.

When preparing financial statements, it is for the Secretary-General to assess the ability of UPOV to continue its operations, to disclose, where necessary, matters relating to UPOV as a going concern and to apply the going concern accounting principle, unless the Secretary-General intends to dissolve UPOV or cease its activities, or in the event of the absence of a realistic alternative.

It is the responsibility of the Secretary-General to monitor the financial reporting process of UPOV.

Responsibilities of the auditor for the audit of financial statements

The auditor’s objective is to secure a reasonable assurance that the financial statements as a whole do not contain significant anomalies, either as a result of fraud or of error, and to produce an audit report containing his opinion. Reasonable assurance is a high level of assurance which nonetheless does not guarantee that an audit conducted in accordance with ISA standards always leads to the detection of any possible significant anomaly. Anomalies may arise from fraud or errors and they are considered significant when it is reasonable to expect that, individually or collectively, they may influence business decisions that users of financial statements make when they rely on these statements.

For an audit conducted according to ISA standards, we use our professional judgement and maintain a critical outlook throughout the audit. Additionally:

* We identify and assess the risks that the financial statements contain significant anomalies, that such anomalies are the result of fraud or errors, design and implement auditing procedures in response to such risks and gather sufficient and adequate proof to support our opinion. The risk of a failure to detect a significant anomaly arising from fraud is higher than for a significant anomaly result from errors because fraud may involve collusion, falsification, deliberate omissions, false statements or the circumvention of internal control.
* We gain an understanding of internal control mechanisms relevant to the audit in order to design the appropriate audit procedures for the circumstances and not with a view to providing an opinion on the effectiveness of the Organization’s internal control.
* We assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the Secretary-General, including the relevant information thereon provided by him.
* We draw a conclusion as to the appropriateness of the use by the Secretary-General of the going concern accounting principle and, based on the proof obtained, as to the presence or absence of any significant anomaly in connection with events or situations likely to cast significant doubt on UPOV’s ability to continue its operations. If we find that there is significant uncertainty, we are bound to draw the attention of readers of our report to the information provided in the financial statements regarding such uncertainty or, if the information is insufficient, to express an amended opinion. Our conclusions rely on the proof obtained up until the date of our report. Future events or situations may also cause UPOV to cease its operations.
* We assess the overall presentation, form and content of the financial statements, including the information provided in the notes, and determines whether the financial statements present the underlying operations and events to afford a true and fair view.

We communicate to the Council in particular the intended scope and duration of the audit and its main findings, including any significant weakness in internal control we find during the audit.

Berne, May 25, 2018

SWISS FEDERAL AUDIT OFFICE [[6]](#footnote-7)

(Auditor)

Eric-Serge Jeannet Didier Monnot

Vice Director Officer in charge of mandates

1. Financial Regulations and Rules of UPOV adopted by the Council at its thirty-second extraordinary session of March 27, 2015 (document C(Extr.)/32/4). [↑](#footnote-ref-2)
2. International Standards on Auditing (ISAs), published by the International Auditing and Assurance Standards Board (IAASB). [↑](#footnote-ref-3)
3. USPTO: United States Patent and Trademark Office. [↑](#footnote-ref-4)
4. The sum of 1,050,665 Swiss francs was included in “Net Unrecognized actuarial gain / (loss)” in the “Company Liability” table of the 2016 actuarial valuation. [↑](#footnote-ref-5)
5. The arguments underpinning this SFAO finding were set out in detail in the report for the 2012 and 2013 financial years. [↑](#footnote-ref-6)
6. Postal Address: Monbijoustrasse 45, CH-3003 Berne.

[End of Annex and of document] [↑](#footnote-ref-7)