

Council**C/56/5****Fifty-Sixth Ordinary Session
Geneva, October 28, 2022****Original:** English
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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, 2021, 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/4/6), which requires that the Council examine and approve the financial statements. The Financial Statements for 2021 are presented in document C/56/4. 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/56/5

ANNEX



JULY 2022

International Union for the Protection of New Varieties of Plants

External Auditor's Report on the 2021 UPOV Financial Statements

The aim of the audit is to provide independent assurance to members; to add value to the UPOV's financial management and governance; and to support your objectives through the external audit process.

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

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Introduction

The International Union for the Protection of New Varieties of Plants (UPOV) was established in 1961 by the International Convention for the Protection of New Varieties of Plants to provide and promote an effective system of plant variety protection. The Union has 78 members who support the activities of UPOV through direct contributions and extra-budgetary funds-in-trust for specific projects.

The Comptroller and Auditor General of the United Kingdom (C&AG) was appointed as the external auditor of UPOV for a six-year mandate commencing 1 January 2018 and the audit is undertaken in accordance with Chapter 8 of the Financial Regulations and Rules of UPOV. The audit was conducted in conformity with International Standards on Auditing. Those standards require that the C&AG and his staff comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

In addition to our opinions on UPOV's financial statements, this report presents the key findings from our work. We have also followed up the progress made implementing recommendations raised in previous financial periods (appendix one).

The original drafting language of this report is English. The English version is the authoritative text.

Overall audit results

Our audit comprised the examination of the 2021 financial statements and the associated transactions and events for that year. We provided an unqualified audit opinion, without modification, on the financial statements.

With the partial relaxation of COVID-19 pandemic restrictions, it was possible to complete aspects of the audit on site.

Financial management

Overall audit results

1 The External Auditor has audited the financial statements of UPOV for the year ended 31 December 2021 which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, Statement of Changes in Net Assets, Statement of Comparison of Budgets and Actual Amounts and the related notes.

2 These financial statements have been presented in accordance with the International Public Sector Accounting Standards (IPSAS). In our opinion, the audited financial statements fairly present the financial position of UPOV as at 31 December 2021 and its financial performance and its cash flows for the year then ended under International Public Sector Accounting Standards (IPSAS).

Financial performance and position

3 UPOV reported a deficit for the year of CHF 266,000 (2020: surplus CHF 249,000) within its Statement of Financial Performance. This deficit arose primarily due to the changes in employee benefits liabilities of some CHF 268,000 which were recognised as an expense to UPOV. Personnel costs, which are UPOV's most dominant expense have increased by some CHF 300,000 to CHF 2.6 million. These represent 59.7 per cent of the Union's total expenditures during the year (2020: 63.7 per cent). Overall, expenditure increased by 20.4 per cent from CHF 3.7 million in 2020 to CHF 4.4 million. Alongside the additional personnel costs, this increase was due to the increased activities on its Funds in Trust projects.

4 Total revenue in 2021 of CHF 4.1 million represented an increase of 5.1 per cent on the previous year (CHF 3.9 million). This increase was primarily due to revenue from PRISMA and PLUTO, which increased to CHF 192,000 (2020: CHF 17,000). In 2021, UPOV received 2,508 applications (2020: 221 applications) via UPOV PRISMA. This significant increase was primarily driven by the decision of the United Kingdom to make the platform the exclusive tool for making applications. UPOV estimate that this includes a "one-off" peak of around 800 applications due to the transition deadline of June 2021 and expect a lower level of applications in future years. In addition, revenue from Funds in trust (extra-budgetary contributions) increased from CHF 279,000 in 2020 to CHF 384,000 in 2021. This was because of increased work performed on technical cooperation projects, particularly, from the Government of Japan for workshops on the protection of new plant varieties in the Asian region and the development of the East Asia Plant Variety Protection Forum (EAPVP) pilot project.

5 Assets controlled by UPOV decreased slightly to CHF 5.2 million (2020: CHF 5.3 million). The majority of the Union's assets are held in the form of cash and cash equivalents, which remained consistent at CHF 5.1 million. During the same period UPOV's liabilities increased by some 18.3 per cent to CHF 5.8 million (2020: CHF 4.9 million). This was primarily due to a further increase of CHF 1.1 million in the employee benefits liability for the After-Service Health Insurance of which CHF 743,000

was charged directly to net assets. This element of the liability now totals CHF 4.1 million (2020: CHF 3.0 million).

6 The impact of the results in 2021 has resulted in an overall net liability position for UPOV of CHF 641,000 (2020: net assets CHF 368,000) in the Statement of Financial Position. As set out in Note 2 to the financial statements, despite these net negative assets, management does not believe that UPOV's ability to continue as a going concern has been materially affected. This is based upon the fact that the UPOV Council has not taken any decision or communicated any intention to liquidate or to cease operations and has approved the Program and Budget of the Union for the 2022-2023 Biennium.

7 We use ratio analysis of an organization's financial health on all our international audits to show how financial positions change over time (Figure 1). They express the relationship of one item of account against another. For example, there are CHF 3.35 of current assets for every CHF 1 of current liabilities. The significant difference between the current and asset ratios are due to 73.4 per cent of UPOV's liabilities being employee benefit liabilities that are due after 12 months or more. Overall, UPOV is in a net deficit position with excess liabilities over assets with assets covering only 89 per cent of overall liabilities.

Figure 1: UPOV Key financial ratios 2018-2021

Ratio	2021	2020	2019	2018
Current ratio				
Current assets: Current liabilities	3.35	3.09	2.55	3.07
Asset ratio	0.89	1.07	1.22	1.18
Assets: Liabilities				
Cash ratio				
Cash and cash equivalents: Current liabilities	3.28	2.98	2.48	2.97

Notes

1. A high current ratio indicates an entity's ability to pay off its short-term liabilities.
2. A high assets to liability ratio is a good indicator of solvency.
3. The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash and cash equivalents there are in current assets to cover current liabilities.

Source: Audited Financial Statements of UPOV

8 Overall, UPOV has sufficient working capital to deal with short- and medium-term liabilities. The vast majority of UPOV's assets remain in cash and cash equivalents and therefore there is currently a minimal risk to liquidity. The level of reserves available to fund its longer-term liabilities has been steadily eroding and now is insufficient to meet these. UPOV has earmarked funds of some CHF 1.03 million for its accumulated liabilities to provide after-service health insurance to former staff members, further resources may need to be earmarked to meet the overall level of this liability of CHF 4.0 million. We have reported on the impact of the post-employment benefit liabilities on the financial position later in this report.

Program and Budget performance

9 The UPOV Program and Budget is prepared on a modified accrual basis each biennium. In accordance with IPSAS provisions, Statement V to the financial statements presents a comparison of budgeted and actual amounts for income and expenditure. A reconciliation of these figures to the other primary statements is presented in Note 12 to the financial statements.

10 The original biennium 2020-2021 budget was approved by the UPOV Council and included allocations for revenue and expenditure of CHF 7.3 million. This was allocated approximately 50:50 between 2020 and 2021. No further amendments were made to this allocation. The overall results for the biennium are shown in Figure 2 below. Overall UPOV achieved a surplus on its overall budget position.

Figure 2: 2020-2021 budgetary performance of UPOV (CHF 000s)

	2020-2021 Budget	Outturn	(Deficit)/ Surplus
Income	7,347	7,404	57
Personnel Expenditure	(4,939)	(4,552)	387
Non-personnel expenditure	<u>(2,408)</u>	<u>(2,519)</u>	<u>(111)</u>
Net result	Nil	333	333

11 As set out in UPOV's Statement V, income from contributions continued to be the single largest source of income representing 95.8 per cent of total income. As indicated in UPOV's Performance Report, the increase in income from contributions, resulting from China increasing its number of contribution units from 0.5 units in 2019 to 2 units in 2020/21, higher fee income from UPOV PRISMA (2.7 per cent above the biennial estimate) and higher income from distance learning courses. This was partly offset by lower PLUTO fees (delayed launch of new version) and lower income generated from Funds-in-Trust related program support costs. The latter was due to a reduction in activities incurring travel costs, as a result of the COVID-19 pandemic.

12 Overall personnel expenditure amounted to CHF 4.6 million, 8 per cent below the Program and Budget for the biennium 2020/21. Lower personnel expenditure was primarily driven by savings arising from a vacant post and a vacant temporary position, as well as lower than budgeted expenditure on occupied posts resulting from savings on allowances and reduced home leave because of the pandemic. The variance on non-personnel expenditure was primarily due to expenditure on contractual services being substantially higher than the biennial budget. This was primarily driven by higher expenditure on the development and maintenance of new systems such as PLUTO and higher contracted support costs on projects and virtual meeting coordination. While the non-personnel expenditure exceeded the budget, the overall expenditure outturn was within the appropriation approved by the UPOV Council. More detail on variances is provided in the 2021 UPOV Performance Report.

Internal control

13 The World Intellectual Property Organization (WIPO) provides UPOV's back-office support and WIPO's Information Management System (AIMS) provides many of its core administrative systems, including finance, accounting, procurement, HR and payroll. Workflows within AIMS ensure that transactions and other activities are properly processed, authorised and reviewed. Overall, WIPO operates a sound internal control environment.

14 Overall, the results of our audit have not identified any significant control weaknesses or evidenced any noticeable deterioration in the control environment. No issues of this nature have been reported to us by management or identified within the Statement on Internal Control.

Financial regulations

15 Article 8(1) of the Agreement between the World Intellectual Property Organization and the International Union for the Protection of New Varieties of Plants (WIPO/UPOV Agreement) states:

“[...]the provisions of the Financial Regulations and Rules of WIPO, including future modifications thereof, shall, mutatis mutandis, apply also in respect of the staff of the Office of UPOV and the finances of UPOV, provided that the Council of UPOV may agree with the Director General of WIPO to any exceptions and additions to the same in which case such agreed exceptions and additions shall prevail. [...]”.

16 During 2021, WIPO commissioned a comprehensive review of its Financial Regulations with the objective to:

- have streamlined and clear Financial Regulations and Rules that reflect the current business model as represented in its Medium-Term Strategic Plan 2022 – 2026 and the Program of Work and Budget 2022/23;
- establish an enabling regulatory framework to drive key business strategies of WIPO;

- incorporate data analytics as part of the mainstreamed regulatory content for more effective and efficient controls to reduce the burden of high-volume transaction controls while minimizing risk exposure; and
- provide a regulatory framework for areas which currently are not addressed in the Financial Regulations and to address bottlenecks, pain points and accountability in the existing Regulations.

17 In April 2022, WIPO shared the proposed amendments to its Financial Regulations for our comments. Overall, we were supportive of the principles underpinning the initiative for revising the Financial Regulations and aligning them with current working practices. The revised structure provides a more coherent framework for financial controls and addresses some important omissions from the existing Regulations, such as, partnership working, management of liabilities and aspects of WIPO's wider accountability framework.

18 At the date of this report, it is WIPO's intention to present its revised Financial Regulations and Rules for consideration and approval by its Member States during 2022 for adoption on 1 January 2023. UPOV may wish to consider the impact of these changes on its own Financial Regulations.

Employee benefits

19 The WIPO/UPOV Agreement, establishes the administrative relationship between the two organisations. Within this, UPOV applies *mutatis mutandis* the provisions of the Staff Regulations and Staff Rules of WIPO, including future modifications, provided that the Council of UPOV may agree with the Director General of WIPO to any exceptions and additions. These regulations and rules set out the conditions of service and the basic rights, duties and obligations of UPOV staff. This provides UPOV staff members the salaries and related allowances and the social security benefits, including access to the UN Joint Staff Pensions Fund and After-Service Health Insurance as established under the United Nations Common System.

Post-employment benefits

20 UPOV's most dominant liabilities are its employee benefits. As set out in note 5 to the financial statements, these comprise most significantly the staff members' after-service health insurance, their repatriation entitlements and accumulated leave liabilities. During 2021, the estimated overall liability for these staff benefits has increased from CHF 3.4 million to CHF 4.5 million. In line with decisions of the Council of UPOV at its thirty-third extraordinary session, UPOV holds strategic cash of CHF 1.03 million (2020: CHF 943,000) which is earmarked to partially fund certain of these liabilities, leaving an unfunded liability of CHF 3.5 million (2020: CHF 2.4 million).

21 The after-service health insurance liabilities totalling CHF 4.1 million are calculated by an independent actuary based on underlying data and assumptions. They reflect the value of the contractual obligations to staff and retirees, on 31 December 2021, for their underlying claims expected in the future. The year-on-year movement arises from changes in the actuarial assumptions including those relating to medical claims costs.

As part of this year's valuation the actuary has further refined how the valuation reflects the ASHI claims costs of the members.

22 We recognise that there will likely be significant future fluctuations in the liability for these benefits arising from changes in the discount rate and inflation assumptions. The liability disclosed in the financial statements reflects the assumptions at 31 December 2021. We further recognise that UPOV currently mitigates the financial risks of medical claims costs through an insurance scheme. Ultimately, however the liability as presented in the financial statements represents the best estimate of UPOV's total liability for the scheme members past service.

23 The most significant factors that have impacted the valuation of the liability are the actuarial assumptions, which increased the liability by CHF 743,000 (**Figure 3**). These comprise:

- CHF 1.244 million loss on **demographic assumption** changes. These cover updates to assumptions such as turnover, mortality and disability, retirement and age-related adjustments to medical cost claims. The loss related significantly to changes in the approach to assessing the expected claims costs as outlined below.
- CHF 512,000 gain on **financial assumption** changes. These cover updates to assumptions such as discount rates, inflation, medical trends and salary increases. The gains here related primarily to a 0.2 per cent increase in the discount rate in the calculation and a reduction in the medical cost trend rate from 2.9 to 2.5 per cent.
- CHF 11,000 loss on **experience** changes. These cover adjustments required due to the difference between assumptions made and actual results.

Figure 3: Evolution of ASHI defined benefit obligation (CHF'000)

	2021	2020
Defined benefit obligation 1 January	3,034	2,026
Interest cost	9	10
Current service cost	336	242
Contribution paid	-37	-37
Actuarial assumption changes	743	793
Defined benefit obligation 31 December	4,085	3,034

Source: UPOV financial statements

24 During 2021, UPOV's actuary performed further analysis on the claims arising over 2017-2020 and changed the expected claims costs per claim at each age in its calculation. Previously, the actuary applied an age-grading factor to premiums to reflect the underlying cost of claims. This year the actuary has removed these factors, instead opting for a simpler approach with no adjustments to be made to the expected costs. In deriving these new claims cost assumptions, the actuary has used data from the plan provider, listing claims reimbursements for both UPOV and WIPO retirees and dependants over 2017-2020. From this information, the actuary calculated the average

per person claims reimbursement by age. Using the combined data set was valid given the similar demographics and conditions of service of the personnel for both organisations to provide a more accurate indication of claims costs at different ages.

25 The actuary has based the new assumptions on recent claims data from the plan, which is a valid approach. Looking back over four years is reasonable, as older claims data is less likely to be representative of current and future claims costs, while noting more recent data may be influenced by temporary COVID-19 pressures. The actuary explained that the 2020 claims data was very similar to 2017-19 data and therefore they did not consider excluding it due to COVID-19. We believe this is a reasonable approach. In the 2020 financial statements, UPOV noted the uncertain impact of the pandemic on current claims costs. With further information now available, this sensitivity is no longer deemed as significant to the valuation.

26 UPOV's share of the liabilities has changed since 2020, because of the adjustment to the premium based on age. The scheme rules require that UPOV contribute 65 per cent to the monthly medical premium (35 per cent cost to the staff member). The actuary had previously used this premium contribution rate to determine UPOV's share of the total liability. For 2021, the actuary has revised this to 73 per cent of the overall defined benefit obligation. This change reflects the expectation that individuals covered by the after-service liability will claim proportionally more than they will pay in premiums (with active members not covered by this liability doing the opposite). We believe this is a reasonable expectation and better reflects the realities of the future scheme costs. It therefore represents an enhancement in the estimation techniques on which this significant liability is based.

Future impact of the liabilities

27 The value of UPOV's liabilities evolves over time, based on changes in both demographic and other economic factors. As part of the annual valuation performed by the Union's expert, UPOV receives a projection for the value of liabilities over the following four years, assuming current assumptions remain consistent. The forecast highlights that the impact of current assumptions on the liability will result in a projected increase to CHF 5.2 million at 31 December 2025 – an increase of 18.2 per cent.

28 This forecast presents useful information to members of UPOV, as it provides insight into the future liabilities arising from the current terms and conditions approved by the UPOV Council. To inform Council of the future impacts on the medium-term financial position, we would encourage the inclusion of this commentary within the financial analysis accompanying the annual financial statements.

29 On the basis of UPOV achieving its aim of a break-even result, there remains a risk that UPOV's employee benefit liabilities continue to increase the net negative assets and may impact the level of contribution funding needed from Members for the Union to continue as a going concern.

30 In our report last year, we recommended that UPOV consult with its Members on the costs and benefits of the continued alignment with the full provisions of the Staff Regulations and Staff Rules of WIPO and the associated UN common system

entitlements to ensure that it provides best value for UPOV. UPOV is not a UN system entity, and the employment terms and conditions can be fully determined by its Members. In its response, UPOV informed us that it would use the results of WIPO's assets and liability management study to help determine the level of funding necessary for the UPOV liability. While this is an important aspect of managing the existing liability, it does not address the substance of the recommendation which centred on the affordability of the existing arrangements in the context of UPOV's existing operating model. *In our view it is important for the Members to consider the ongoing ability to meet these future obligations especially now UPOV is reporting overall net negative assets.*

31 Since our audit work completed, WIPO has finalised a new strategy for the management of its staff liabilities. It will be important for these findings to be considered in the context of UPOV for the potential for reductions in future costs and in the consequential liabilities which may fall on Members. This should be considered alongside our previous recommendation to actively consider the continued affordability of the UN Common System entitlements. We will review UPOV's response to these findings and the implementation of our previous recommendation during our audit of the 2022 financial statements.

UN Joint Staff Pension Fund

32 Staff members of UPOV participate in the United Nations Joint Staff Pension Fund (UNJSPF). However, as the pension scheme cannot accurately determine a reliable estimate of the corresponding risk borne by each participating organization, no actuarial liabilities for the pension scheme appear in UPOV's financial statements.

33 The characteristics of the UN pension scheme are outlined in Note 5 to the financial statements and this disclosure is consistent across many participating organizations. At the latest actuarial date, 31 December 2019, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations. Should this situation change in the future, deficiency payments would be required from UPOV. This situation represents a potential future financial risk to UPOV which needs to continue to be tracked.

Other matters for the Council

34 The Secretary-General reported no frauds, or ex-gratia payments during 2021. We identified no instances of fraud in our audit, and no cases have come to our attention through our testing.

Prior year recommendations

35 At the date of our previous report in July 2021, there were two previous recommendations to UPOV PRISMA in progress and we made two further recommendations in our 2021 report on the management of the ASHI liability.

36 As at May 2022, we consider that the two recommendations from 2019 related to UPOV PRISMA were implemented. While we note that additional information on UPOV PRISMA will be considered annually by the Consultative Committee, we consider that where these costs and revenues are material to UPOV additional disclosures should be included in the financial statements.

37 As noted earlier in the report we do not consider that our recommendation from last year, on consultation with the Council on the alignment with the full provisions of the Staff Regulations and Staff Rules of WIPO and the associated UN common system entitlements, has been addressed. Consequently, we do not believe full consideration has yet been given to whether the arrangements and costs of these arrangements provide best value for UPOV Members.

38 We note that UPOV has enhanced its disclosures on ASHI in the financial results and have closed this recommendation. **Appendix One** contains a detailed commentary on the status of the previous recommendations.

Acknowledgments

39 We would like to thank the Secretary-General and his staff for their co-operation in facilitating our audit engagement, especially during such a significantly challenging period.

Original as signed

Gareth Davies
Comptroller and Auditor General, United Kingdom - External Auditor
29 July 2022

Appendix One

Follow-up of prior year recommendations

Previous reference	Summary of recommendation	Administration's comments on status: May 2021	External Auditor's view	Status
2019 (C/54/6) R#1	To enhance transparency and to inform future decision making, consider separate reporting on the costs and revenues relating to UPOV PRISMA, and to reflect the most realistic and prudent assumptions around costs and revenues.	<p>In 2021, by correspondence, the Consultative Committee approved the proposals to address the recommendations in the External Auditor's Report on the 2019 UPOV Financial Statements, as set out in paragraphs 8 and 9 of document CC/98/3 (see document CC/98/15 "Outcome of the Consideration of Documents by Correspondence"), as follows:</p> <p>It is proposed that the measures to address the External Auditor recommendations recognize the role of UPOV PRISMA: (i) to act as an income source and to cover all costs when at full capacity; and (ii) to form part of the development of a package of compatible tools that will provide coherent and comprehensive assistance in the implementation of the UPOV system of plant variety protection, as set out in the Strategic Business Plan 2021-2025.</p>	We note the response of management and that relevant information will be considered annually by the Consultative Committee. In our view, if significant, additional disclosures should also be made in the financial statements on the costs and revenues relating to UPOV PRISMA.	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2021	External Auditor's view	Status
		<p>On that basis, it is proposed that the Consultative Committee be invited to consider, annually: (a) latest costs and revenues relating to UPOV PRISMA; (b) funding sources other than the regular budget; (c) latest and projected coverage of UPOV PRISMA (capacity); (d) projected costs and revenues of UPOV PRISMA; (e) anticipated funding sources other than the regular budget; (f) incentives by members of the Union for the use of UPOV PRISMA; and (g) a proposal for the UPOV PRISMA fee.</p> <p>It is further proposed that a recommendation by the Consultative Committee for the UPOV PRISMA fee be made to the Council in conjunction with the Council's consideration of the draft Program and Budget for future biennia, starting from the draft Program and Budget 2024-2025.</p>		
2019 (C/54/6) R#2	Ensure clarity over the funding source for any deficit in the operation of UPOV PRISMA, and where necessary agree appropriate transfers or identify where costs are seen as providing wider benefits to be funded from regular budgets.	As per response to 2019 (C/54/6) R#1 (above)	As per 2019 (C/54/6) R#1 (above)	Implemented and closed.

Previous reference	Summary of recommendation	Administration's comments on status: May 2021	External Auditor's view	Status
2020 R#1	UPOV considers enhancing its financial reporting accompanying the financial statements to include trend information and commentary on future expected costs, particularly the after-service health insurance.	The financial reporting and commentary in the UPOV 2021 financial statements has been enhanced to include additional analysis. With particular with regard to ASHI, information on the projected liability balance has been added.	We note management's response to the recommendation. Additional information has been included in the 2021 financial results accompanying the financial statements.	Implemented and closed.
2020 R#2	UPOV regularly consult with its Members on the costs and benefits of continued alignment with the full provisions of the Staff Regulations and Staff Rules of WIPO and the associated UN common system entitlements to ensure that it provides best value for the Union.	Document CC/98/15 ADD. "Addendum to Outcome of the consideration of documents by correspondence" (copy attached) provided information on the background and sets out how it is proposed to respond to R2: <i>In 2022, WIPO will commission an Asset and Liability Management Study (ALM study). The results of this will be used to determine the funding needs and any update to the strategic asset allocation required to adequately fund the ASHI liability of WIPO. One of the main advantages of such a study is that the staff population is treated as an 'open' group and thus takes account of new recruits and the subsidy effect which exists with regard to the provision of medical insurance to WIPO staff and retirees. The results of the ALM study will therefore be more realistic and could possibly indicate that there is no need to fund the entire ASHI liability. UPOV has a relatively small number of staff and it is probably not appropriate to conduct a separate ALM</i>	We note management's response but do not consider it addresses the recommendation made. In our view, it is important for UPOV Members to actively consider whether the cost benefits of continued alignment with the full provisions of the Staff Regulations and Staff Rules of WIPO and the associated UN	Not implemented.

Previous reference	Summary of recommendation	Administration's comments on status: May 2021	External Auditor's view	Status
		<p><i>study for UPOV. Indeed, the actuary already applies several of the assumptions used for WIPO when calculating the UPOV liability. This is to minimize the sensitivity of the calculation to the fact of being based upon a small population where a change in the circumstances of just one staff member can have a significant impact on the size of the liability. Therefore, the results of the WIPO ALM study could be applied to the UPOV ASHI liability in order to determine what is a more 'realistic' view of the liability. The expectation is that this would be a lower amount than that of the liability in the financial statements. This information could help to inform a document on ASHI to be prepared for consideration within UPOV.</i></p> <p>An item "Financing of long-term employee benefits" has been added to the Consultative Committee agenda for October 2022, to report on the results of the ALM study.</p>	common system entitlements	

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Opinion on financial statements

I have audited the financial statements of the International Union for the Protection of New Varieties of Plants for the year ended 31 December 2021, which comprise the statement of financial position, the statement of financial performance, statement of changes in net assets, statement of cash flow, the statement of comparison of budget and actual amounts for the year then ended, the statement of comparison of budget and actual amounts for the biennium then ended, and the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Union for the Protection of New Varieties of Plants as at 31 December 2021 and of its deficit and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Council of the International Union for the Protection of New Varieties of Plants and the financial transactions conform to the Union's Financial Regulations.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the Organization's Financial Regulations. My audit of regularity was undertaken using the principles set out within the ISAs. My responsibilities under these standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the International Union for the Protection of New Varieties of Plants in accordance with the ethical requirements that are relevant to my audit of the financial statements in the United Kingdom, namely the Financial Reporting Council's Ethical Standards 2019 as applicable to listed entities. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

Management is responsible for the other information. The other information comprises information included in the Introduction, Financial results for the year ended December 31, 2021 and the Statement on Internal Control. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management 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, management is responsible for assessing the International Union for the Protection of New Varieties of Plants' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the International Union for the Protection of New Varieties of Plants or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the International Union for the Protection of New Varieties of Plants' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 a certificate that includes my 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 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- obtain 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 International Union for the Protection of New Varieties of Plants' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the International Union for the Protection of New Varieties of Plants' 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 the International Union for the Protection of New Varieties of Plants' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the International Union for the Protection of New Varieties of Plants to cease to continue as a going concern; and
- evaluate 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that revenue and expenses reported in the financial statements have been applied to the purposes intended by the UPOV Council and the financial transactions confirm to the Financial Regulations which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that I identify during my audit.

Report

I have also issued a long-form audit report on the results of my audit.

Original as signed

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London. SW1W 9SP
United Kingdom

Date: 29 July 2022

[End of Annex and of document]