

# WIPO



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**WORLD INTELLECTUAL PROPERTY ORGANIZATION**  
GENEVA

## **PROGRAM AND BUDGET COMMITTEE**

**Third Session**  
**Geneva, April 25 to 27, 2001**

### ACCOUNTS FOR THE 1998-1999 BIENNIUM

*Memorandum by the Director General*

1. The accounts of the International Bureau for the 1998-1999 biennium are contained in the *Financial Management Report 1998-1999*. Copies of that report were communicated to each Member State of WIPO or the Paris Union or the Berne Union on July 31, 2000.
2. The said accounts were audited by the Director of the Swiss Federal Audit Office, appointed by the Government of Switzerland. The *Report on the Auditing of the Accounts of the World Intellectual Property Organization (WIPO) for the 1998-1999 Accounting Period* was communicated to each Member State of WIPO or the Paris Union or the Berne Union, together with the *Financial Management Report 1998-1999*, on July 31, 2000.
3. The conclusion of the report of the Auditor reads as follows:

“As a result of our work, I am able to issue the audit opinion annexed to this report and drawn up in conformity with paragraph 5 of the Terms of Reference Governing Audit (annexed to the WIPO Financial Regulations).”
4. The said audit opinion reads as follows:

“I have examined the financial statements constituted by Tables 2, 3, 5, 7, 15, 29, 30, 31 and 32 of the English version of the Financial Management Report of the World Intellectual Property Organization (WIPO) for the financial period ending on December 31, 1999. The establishment of those financial statements is the

responsibility of the Director General. My role consists of expressing an opinion on them in the light of the audit undertaken by me.

“I conducted my audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require me to plan and carry out the audit in such a way as to gain reasonable assurance that the financial statements are free of serious errors. An audit consists notably of examining, by sampling and to the extent considered necessary by the External Auditor in the circumstances, the supporting documents provided to back up the amounts and the data appearing in the financial statements. I consider that the audit that I undertook provides a reasonable basis for the opinion that I present here.

“In my opinion, the financial statements give a satisfactory account, on all essential points, of the financial position on December 31, 1999, and of the results of operations and movements of funds for the financial period ending on that date, in accordance with the specified accounting policies of WIPO which are set forth in the Notes on the 1998-1999 Financial Management Report, and which have been applied in a manner consistent with the previous accounting period.

“In addition, it is my opinion that the WIPO operations that I checked by sampling in the course of my audit were on all essential points consistent with the Financial Regulations and the authority given by the deliberative bodies of the Organization.

“Pursuant to paragraph 6 of the Terms of Reference Governing Audit annexed to the WIPO Financial Regulations, I have also drawn up a detailed report on my auditing of the financial statements of WIPO, which is dated July 18, 2000.”

5. In the said detailed report, the Auditor makes recommendations in paragraphs 21, 28, 31 and 34, as follows. In paragraph 21, regarding “Commitments not Appearing in the Balance Sheet”, the Auditor states:

“21. It was reported to me that the Administration of the United States of America had not yet effected the reimbursement to WIPO of direct taxes amounting to 1,308,387.05 francs relating to the years from 1995 to 1998, entered on the assets side of the balance sheet under Sundry Debtors. The Administration of the United States of America contests the reimbursement to WIPO, which had made the advance, of the direct taxes of the retired Director General for the part of his emoluments concerning UPOV. This point in dispute, which was already mentioned in the report on the auditing of the accounts for the 1996-1997 accounting period, is still under discussion.

**Recommendation No. 1:** I invite the Director General of WIPO to continue the negotiations in order to reach a rapid solution to this dispute.”

6. The Secretariat has continued discussions with the Permanent Mission of the United States of America, and can report that the point in dispute referred to by the Auditor, namely the question of the reimbursement to WIPO of the direct taxes of the retired Director General for the part of his emoluments concerning UPOV, has now been resolved. A related issue is still under discussion.

7. In paragraph 28 of the said detailed report, regarding “Contributions Outstanding”, the Auditor states:

“28. The total of contributions outstanding as of December 31, 1999, amounts to over 14 million francs compared with 16 million francs at the end of the previous biennium. Most of the unpaid contributions date back several years; Table 11 on pages 48 to 57 of the 1998-1999 Financial Management Report gives the details of the situation. As in other international organizations, the problems resulting from unpaid contributions remain a matter of concern. In principle, the Reserve Funds of the Contribution-financed Unions would be sufficient to cover the contributions in arrears. There is however no legal basis for this.

**Recommendation No. 2:** To respect the principle of prudence, I am of the opinion that a provision should be made for covering all or part of the unpaid contributions, by means of a withdrawal from the Reserve Fund. It would, moreover, be wise for WIPO to establish a rule on this subject, which would define, among other things, the desirable proportion of cover and the adaptation of the provision according to fluctuations of arrears of contributions.”

8. In document WO/PBC/2/2 entitled “Adjustment to Budget Process, Policy on Reserve and Working Capital Funds, Policy on Budget Surplus” dated August 9, 2000, the Director General (in paragraph 32) made the proposal, in accordance with that recommendation, to establish a provision of 10,390,000 Swiss francs to cover arrears accumulated prior to 1994. Following consideration by the Program and Budget Committee at its September 20 to 22, 2000, session, and discussion at the September 25 to October 3, 2000, sessions of the Assemblies of the Member States of WIPO, the General Assembly and the Assemblies of the Unions concerned decided to increase the level of the reserve for the contribution-financed Unions to 50 per cent of the estimated biennial expenditure, instead of establishing a provision to cover arrears, and decided to defer consideration of the establishment of the proposed provision (reference paragraph 151(b)(v) of document A/35/15).

9. In paragraphs 30 and 31 of the said detailed report, regarding “Inventories”, the Auditor states:

“30. A new computerized stock control system was established during the 1998-1999 biennium. A physical check on the inventory was undertaken at the end of 1999, and a new numbering system was introduced. However, the resulting totals continue to be very different.

“31. On the one hand it was noted that the physical inventory (about 22.6 million francs) was incomplete and had been grossly underestimated. On the other hand, the accounting inventory (about 40.8 million francs) did not take account of the sale or disposal of certain items, for which there was no record of removal from the inventory.

**Recommendation No 3:** As already mentioned in the report on the 1996-1997 biennium, it is important to reconcile the two inventory lists, the accounting list and the physical list. I again invite the International Bureau to continue in its efforts to resolve this problem.”

10. The Secretariat has developed an elaborate computerized system able to analyze in detail the different elements of the physical inventory, and has reconciled it with the

accounting inventory. The result of this effort has been extremely positive. As of December 31, 2000, the physical inventory amounted to 40.2 million Swiss francs while the accounting inventory amounted to 41.3 million Swiss francs, that is, a difference of less than three per cent. During 2001, new procedures are being put in place in an endeavor to eliminate this difference. The Auditor has been kept informed of this impressive progress.

11. In paragraphs 33 and 34 of the said detailed report, regarding “Funds in Trust (FIT)”, the Auditor states:

“33. WIPO manages national projects or FIT projects financed by providers of funds. The funds received are deposited individually by project in bank accounts (10 million francs at the end of 1999) which form part of the WIPO accounting system. Funds still unused at the end of 1999 appear on the liabilities side of the balance sheet under Sundry Creditors (8.6 million francs).

“34. In the course of the accounting period, the WIPO treasury makes payment advances for FIT projects. A settlement is made every three months, at which time amounts payable to WIPO are withdrawn from the various FIT bank accounts. Consequently, the settlement for the fourth quarter of 1999 (1.6 million francs) had not yet been made on December 31, 1999. The details of each FIT project are given by country on pages 71 to 81 of the 1998-1999 Financial Management Report.

**Recommendation No. 4:** A clear distinction between the assets and the liabilities concerning the FITs should be presented in the Financial Management Report, and if possible introduced in the accounts.”

12. The Secretariat will clearly distinguish the assets and liabilities concerning the funds in trust projects in the next Financial Management Report. Under the current computerized system, developed in 1985, the introduction of this change in the accounts would be very difficult, but it will be introduced as part of the development of the new budget and finance system (Administration Information Management System (AIMS) project).

*13. The WIPO Program and Budget Committee is invited to express its views on the audited accounts for the 1998-1999 biennium.*

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