



OPCW

Conference of the States Parties

Eleventh Session
5 – 8 December 2006

C-11/DEC.6
7 December 2006
Original: ENGLISH

DECISION

AMENDMENTS TO THE FINANCIAL REGULATIONS OF THE OPCW

The Conference of the States Parties,

Recalling the decisions it took on the Financial Regulations of the OPCW at its First, Eighth, and Ninth Sessions (C-I/DEC.3, dated 14 May 1997; C-8/DEC.4, dated 22 October 2003; and C-9/DEC.11 and C-9/DEC.12, both dated 2 December 2004)¹;

Also recalling Financial Regulation 16.1, which states, in part, that any “proposed amendments to these Regulations, whether initiated by a State Party or the Director-General, shall be submitted by the Director-General, through the Executive Council, to the Conference of the States Parties”;

Recalling further that, at its Ninth Session, it amended Financial Regulation 2.2 so that the definition of “Budget Section” now reads “Budget Sub-programme” (C-9/DEC.11, dated 2 December 2004), but **bearing in mind at the same time** that it did not similarly amend further references to “section” in Financial Regulations 2.2, 3.3, and 4.6;

Noting the recommendation of the Executive Council at its Forty-Sixth Session that it amend Financial Regulations 2.2, 3.3, and 4.6 by replacing “section” with “sub-programme” (EC-46/DEC.6*, dated 5 July 2006);

Hereby:

Amends Financial Regulations 2.2, 3.3, and 4.6 by replacing “section” with “sub-programme”.

Annex: Financial Regulations and Rules of the OPCW

¹ A version of the Financial Regulations incorporating all amendments made by the Conference of the States Parties up to and including its Ninth Session was issued under cover of C-I/DEC.3/Rev.1, dated 2 December 2004.



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Annex

FINANCIAL REGULATIONS AND RULES² OF THE OPCW

² The current version of the Financial Regulations is presented as approved by the Conference of the States Parties at its First Session (C-I/DEC.3, dated 14 May 1997), and amended at its Eighth, Ninth, and Eleventh Sessions (C-8/DEC.4, dated 22 October 2003; C-9/DEC.11 and C-9/DEC.12, both dated 2 December 2004; and C-11/DEC.6, dated 7 December 2006). It also includes the Financial Rules of the OPCW, which the Executive Council approved at its Forty-Sixth Session (EC-46/DEC.6*, dated 5 July 2006).

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ARTICLE 1 APPLICABILITY

Regulation 1.1

These Regulations shall govern the financial administration of the Organisation for the Prohibition of Chemical Weapons, hereinafter “the OPCW”.

Rule 1.1.01 Authority and applicability

These Rules are prepared by the Director-General and approved by the Executive Council to implement, as appropriate, the Financial Regulations. They shall govern, together with the Financial Regulations, Directives and any other instructions as may be issued by or on behalf of the Director-General, the financial administration of the OPCW, except as may otherwise be provided by the Conference of the States Parties.

Rule 1.1.02 Authority of the Principal Financial Officer

The Director-General shall designate a staff member as the Principal Financial Officer of the OPCW. In accordance with Financial Regulation 14.2, the Director-General may delegate to the Principal Financial Officer such authority as he considers necessary for the efficient and effective implementation of the Financial Regulations, Rules and Directives. The Director-General shall duly notify the Executive Council of the designated Principal Financial Officer.

Rule 1.1.03 Personal responsibility/liability

All staff members of the OPCW are responsible to the Director-General for the actions taken by them in the course of their official duties. Any staff member who contravenes the Financial Regulations or Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her action.

ARTICLE 2 DEFINITIONS

Regulation 2.1

The OPCW’s financial period shall be the calendar year.

Regulation 2.2

For the purpose of these Regulations and any Financial Rules and Directives issued hereunder, the definitions set out below shall apply.

Appropriations shall mean the aggregate of the expenditure authorisations approved by the Conference of the States Parties for the regular budget of the OPCW for a financial period against which obligations may be incurred for the purposes specified by the Conference of the States Parties.

Arrears of Contributions shall mean contributions unpaid by the date on which they are due in accordance with Regulation 5.4.

Budget Appropriations Resolution shall mean the resolution of the Conference of the States Parties in which appropriations for a programme and budget are approved.

Budget Chapter shall mean either: that part of the budget relating to administrative and other costs; or that part of the budget relating to verification costs.

Budget Programme shall mean a subsidiary of the budget chapter which represents a group of activities having a common objective in the programme and budget.

Budget Sub-programme shall mean a subsidiary of the budget programme, grouping together activities with common detailed objectives in the programme and budget.

Cash Surplus shall mean the excess of cash receipts over cash disbursements for a given financial period.

Commitment shall mean entering into a contractual agreement involving a liability against the resources of future years, for which expenditure authority has not yet been given by the Conference of the States Parties.

Conference of the States Parties shall mean the body established pursuant to Article VIII (B) of the Convention.

Contributions shall mean those amounts payable by States Parties under the provisions of Articles IV, V and VIII of the Convention in order to finance the cost of the OPCW's activities for a given financial period.³

Contingency Margin shall mean that portion of the budget appropriations for which the Director-General shall not authorise expenditures until and to the extent that it is determined that the income received will be adequate to meet the full needs of the appropriations in a given financial period.

³ Explanatory note: Under this definition, "contributions" means (a) amounts assessed on States Parties under the provisions of Article VIII of the Convention, and (b) payments by States Parties of verification costs based on invoices issued by the Secretariat subsequent to the verification activities undertaken under the provisions of Articles IV and V of the Convention.

Convention shall mean the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.

Disbursement shall mean an amount actually paid.

Executive Council shall mean the body established pursuant to Article VIII (C) of the Convention.

Ex Gratia Payment shall mean a payment for which there is no legal liability but where the underlying circumstances indicate that payment is justifiable.

Expenditure shall mean the sum of disbursements and unliquidated obligations.

Funds shall mean an independent accounting entity established pursuant to these Regulations for a specified purpose.

Obligation shall mean entering into a contractual agreement or other transaction involving a liability against which authority has been given.

Object of Expenditure shall mean a uniform classification identifying proposed or actual expenditure by the types of goods or services, without regard to the purposes for which they are used.

Programme and Budget shall mean that document which sets out the OPCW's activities, objectives, and aims - together with the resource requirements - for a defined financial period.

Regular Budget Fund shall mean that fund established in accordance with Article VIII of the Chemical Weapons Convention to finance the OPCW's verification, administrative and other costs from the financial contributions of States Parties.

Short-Term Investments are investments for a period not exceeding 12 months.

Special Fund shall mean a fund established for a particular project, programme or activity which shall be financed in a manner as recommended by the Executive Council and subsequently approved by the Conference of the States Parties

Trust Fund shall mean a fund for monies administered by the OPCW on behalf of, and for activities specified by, a donor of voluntary contributions.

Transfer shall mean an increase in a budget chapter, a budget programme or a budget sub-programme within a budget programme offset by decreasing by the same total amount another budget chapter, budget programme or budget sub-programme within a budget programme.

Unforeseen and Extraordinary Expenditure shall mean the entering into a contractual agreement involving a liability not covered by existing appropriations, but in relation to which expenditure authority has been given to the Director-General to cover an unusual event.

Unliquidated Obligation shall mean that part of an obligation which has not been disbursed.

Voluntary Contributions shall mean those resources, whether in cash or in kind, provided by donors to fund either the Voluntary Fund for Assistance or activities specified by the donor.

Working Capital Fund shall mean a fund designed to meet short-term liquidity problems.

Rule 2.2.01

Interpretation of the Financial Rules

In case of a doubt as to the interpretation of any of the Financial Rules, the Director-General shall provisionally rule thereon and shall notify the Executive Council of the interpretation applied. The Executive Council may amend the Financial Rule in doubt in order to clarify or revise the Director-General's interpretation.

Rule 2.2.02

Glossary of definitions

Additional definitions relevant to the understanding of these Financial Rules are set out below.

Approving Officer shall mean a staff member of the budget and finance function (but not the Principal Financial Officer or the Treasury Officer) designated by the Director-General as being responsible for examining proposed obligations before these are established in the accounting records to ensure the following: that obligations have been authorised by the appropriate Certifying Officer; that vouchers and other documents passed by Certifying Officers for payment are properly supported by evidence that goods or services have been received in accordance with the contractual agreement establishing the obligation; that the documents comprise duly certified original vouchers; that payment has not previously been made, and that the supporting documents do not have irregularities which might indicate that the payment is not properly due. The Approving Officer can never be a Certifying Officer.

Certifying Officer shall mean a staff member designated by the Director-General as being responsible for examining all obligations proposed by Heads of Programme to ensure that appropriate funds are available and have been allotted, and that the proposed expenditure is consistent with the purpose for which the relevant appropriation was intended.

Head of Programme shall mean a staff member designated by the Director-General in accordance with Financial Regulation 14.2 as being responsible for the delivery of one or more specific programme activities as are required under the Convention and as set out in the approved Programme and Budget.

Principal Financial Officer shall mean a staff member designated by the Director-General as being responsible for the oversight of the OPCW's financial resources, including the implementation of the OPCW's Financial Regulations and Rules and Directives

and the promulgation of such additional guidance as may be necessary on financial management matters. This staff member shall perform functions in accordance with the Financial Rules and in particular Rules 1.1.02 and 11.1.01.

Treasury Officer shall mean a staff member of the budget and finance function designated by the Principal Financial Officer as being responsible for the proper management and custody of the OPCW's cash assets, including investments. The Treasury Officer can never be the Principal Financial Officer.

Imprest Fund shall mean a fund or account established in a fixed amount and maintained at the level by periodic replenishments (normally monthly) of the sums disbursed.

Officials shall mean the Director-General and all members of the staff of the Technical Secretariat of the OPCW.

ARTICLE 3 PROGRAMME AND BUDGET

Regulation 3.1

The Director-General shall prepare a draft programme and budget (hereinafter "the budget") for each financial period.

Regulation 3.2

The draft budget shall cover income and expenditure for the financial period to which such income and expenditure relate. The budget shall be presented in Euros.

Rule 3.2.01

Preparation of the draft budget

The draft budget, both for expenditures and income, shall be prepared on a gross basis.

Regulation 3.3

Pursuant to paragraph 7 of Article VIII (A) of the Convention the budget shall comprise two separate chapters, one relating to administrative and other costs, and one relating to verification costs. Each chapter shall be divided into programmes, and, as appropriate, each programme shall be divided into sub-programmes. The budget shall include any information annexes and explanatory statements requested by, or on behalf of, the Conference of the States Parties or the Executive Council. It shall also include such further information as the Director-General may deem necessary and useful. As a minimum, the budget shall contain:

- (a) an overview and introduction, describing:
- the objectives identified for the work to be financed by the budget;
 - the basic assumptions having budgetary implications;
 - the detailed assumptions having budgetary implications; and

- overall budgetary growth proposed (real and nominal) together with a brief explanatory statement;
- (b) a breakdown of each budget chapter by programme, providing for each programme:
 - an overview statement;
 - a statement of responsibilities;
 - a statement of objectives;
 - the proposed activities to be performed, listed in order of priority and divided by sub-programme, where appropriate, with a brief description;
 - the appropriations required, by sub-programme and by main object of expenditure; and
 - comparison between the budgets of the current and previous financial periods;
- (c) supporting tables, as appropriate, for the budget as a whole and for each chapter, programme and sub-programme, showing:
 - organisation charts;
 - post requirements;
 - resource requirements;
 - resource requirements by main object of expenditure; and
 - budgetary growth proposed (real and nominal); and
- (d) as separately identified and suitably detailed items, programme and budget proposals for verification in accordance with the following provisions of the Annex on Implementation and Verification to the Convention:
 - paragraph 13 of Part VII;
 - paragraph 13 of Part VIII; and
 - paragraph 10 of Part IX.

Rule 3.3.01

Tasks of the Heads of Programme

- (a) Heads of Programme shall prepare the respective draft budget proposals, that is, the programme content and resource allocation, for the following financial period at such times and in such detail as the Director-General may prescribe in a Financial Directive and in accordance with the Financial Regulations and Rules. The budget proposals shall be detailed by chapter, programme and sub-programme, and by object of expenditure within each programme and sub-programme.
- (b) Detailed guidelines for preparing budget estimates shall be issued to the Division Directors by the Director of the Administration Division in consultation with the Director-General. The proposals of the Division Directors shall be submitted simultaneously to the Director of the Administration Division and to the Head of the Budget, Planning and Finance Branch for consolidation.

Rule 3.3.02
Content and resource allocation

After review of the draft budget proposals, the Director-General shall decide on the final programme content and resource allocation of the draft budget to be submitted through the Executive Council to the Conference of the States Parties for approval.

Regulation 3.4

The Director-General shall submit the draft budget for the ensuing financial period to the Executive Council. The submission of the draft budget to the Executive Council shall take place at least eight weeks prior to the date fixed for the meeting of the Executive Council at which the draft budget is to be considered. The draft budget and the comments and recommendations of the Executive Council shall be transmitted to States Parties at least four weeks prior to the opening of the regular session of the Conference of the States Parties at which the draft budget is to be considered.

Regulation 3.5

The Director-General may, in exceptional cases, submit supplementary budgetary proposals to the Conference of the States Parties through the Executive Council. Such supplementary budgetary proposals shall be prepared in a format consistent with that used for the budget. The applicable time limit for the submission of the document may be waived by the Executive Council with respect to the submission of supplementary budgetary proposals.

Rule 3.5.01
Supplementary budgetary proposals

Heads of Programme shall, where necessary, prepare supplementary budgetary proposals in such detail as the Director-General may prescribe. Such supplementary proposals shall be prepared in a format consistent with that used for the budget.

Regulation 3.6

The Conference of the States Parties shall:

- (a) consider and adopt at its regular session the programme and budget of the OPCW, submitted by the Executive Council;
- (b) decide on the scale of assessments to be paid by States Parties; and
- (c) vote budget appropriations by chapter and in total for the financial period to which they relate.

Regulation 3.7

The draft budget submitted to the Executive Council and to the Conference of the States Parties under Regulation 3.4 shall be accompanied by corresponding preliminary estimates for the following financial period.

Rule 3.7.01

Basis for preparing the preliminary estimates

The preliminary estimates for the following financial period shall be submitted at the same time as the draft budget. These estimates shall include proposed allocations by programme, sub-programme and object of expenditure, to the extent possible.

Regulation 3.8

The draft budget and preliminary estimates submitted to the Executive Council under Regulations 3.4 and 3.7 shall be accompanied by a medium-term plan. Such a plan would give an overview of the aims and programme priorities of the next few years, to be adjusted annually as necessary. The medium-term plan should not prejudice coming budgets. It should also be a concise document.

ARTICLE 4

AUTHORITY TO INCUR EXPENDITURE

Regulation 4.1

The appropriations approved by the Conference of the States Parties under Regulation 3.6 shall constitute an authorisation for the Director-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted, subject to any transfers under Regulation 4.5 and the provisions of Regulation 4.7.

Rule 4.1.01

Financial plan and issue of allotments

- (a) Financial plan: At the end of the year, a detailed financial plan based on the approved appropriations shall be prepared for the following financial year by the Principal Financial Officer in cooperation with all the programme managers, and approved by the Director-General. The financial plan shall be established in such format and for such purposes as the Director-General may prescribe.
- (b) Review of financial plan: The estimate in the financial plan shall be revalued every month. Actual expenditures shall be monitored by the Principal Financial Officer against the revalued financial plan on a cumulative basis. The financial plan shall be reviewed whenever necessary, but in any event after the first six months of the financial year, and revised as necessary. All revisions of the financial plan shall be subject to approval by the Director-General.

- (c) Allotments: Under the authority of the Director-General, the Principal Financial Officer shall issue allotments to Heads of Programme in accordance with the appropriate budget appropriation resolution and other relevant resolutions or decisions of the Executive Council and the Conference of the States Parties. An allotment constitutes the authority for the Head of Programme to request the incurring of obligations up to the amount and for the purposes stated in the allotment advice and in accordance with applicable directives and procedures.

Rule 4.1.02
Basis of obligations

- (a) Obligations for goods and services shall be based on a contractual agreement entered into under the responsibility of the Director-General on behalf of the OPCW. All such obligations shall be supported by appropriate obligating documents. The obligation shall be carried as an unliquidated obligation during the period set forth in Regulation 4.3, unless liquidated prior thereto.
- (b) All commitments, obligations and expenditures require at least two authorising signatures, in either conventional or electronic form. All commitments, obligations and expenditures must first be signed (certified) by a duly designated Certifying Officer. Following certification, duly designated Approving Officers (Financial Rule 10.1.04) must then sign to approve the establishment of obligations, the recording of expenditures in the accounts, and the processing of payments. Expenditures recorded against an established, certified obligation do not require additional certification, provided that they do not exceed the amount obligated by more than 5 per cent, or EUR 2,500, whichever is less. Expenditures of under EUR 2,500 for which recording of an obligation is unnecessary require both certification and approval.

Regulation 4.2

Appropriations shall be available for obligation during the financial period for which they were made, in accordance with the provisions of the budget appropriations resolution.

Regulation 4.3

Appropriations shall remain available for the twelve months following the end of the financial period to which they relate, to the extent that they are required to liquidate any outstanding legal obligation of that financial period.

Regulation 4.4

At the end of the twelve-month period referred to in Regulation 4.3, the remaining balance of any appropriations retained shall lapse. Any unliquidated obligations of the financial period in question shall at that time be cancelled, unless the obligation remains a valid charge, in which case the obligation shall be transferred as an obligation against appropriations for the current financial period.

Rule 4.4.01
Obligations which cannot be liquidated

In those cases where the obligation cannot be liquidated within the time period set forth in Financial Regulation 4.3, the procedure under Financial Regulation 4.4 shall be followed. This procedure requires the examination of each such obligation in accordance with Financial Rule 10.3.06 before it is cancelled or reobligated against appropriations of the current financial period.

Regulation 4.5

Subject to any provisions set out in the budget appropriations resolution, the Director-General may transfer appropriated funds between programmes within a budget chapter. The total of all such transfers shall not exceed 10 percent of the original appropriation for the programme to which the transfer is made. The Director-General shall notify the Executive Council of any such transfer(s). Transfers in excess of the 10 percent limit shall be made only with the prior concurrence of the Executive Council. All transfers between budget programmes shall be reported to the Conference of the States Parties.

Rule 4.5.01
Transfers of funds

- (a) In the event that transfers of funds in accordance with Regulations 4.5 to 4.7 become necessary, the Heads of Programme proposing the transfers shall provide the required justification and shall make proposals, through the Principal Financial Officer, to the Director-General.
- (b) Requests for transfers of appropriated funds between approved budget programmes and/or between budget sub-programmes in accordance with Financial Regulations 4.5 and 4.6, but within the scope of objectives approved for the year in the annual programme and budget, shall be submitted by the designated programme manager, through the Principal Financial Officer, to the Director-General for decision. These requests shall contain a description of the activity giving rise to the funding-transfer requirement, a justification for its urgency and estimated cost, and alternative sources of funding.

Regulation 4.6

Subject to any provisions set out in the programme budget appropriations resolution, the Director-General may transfer appropriated funds between sub-programmes within a budget programme. The total of all such transfers shall not exceed 15 percent of the original appropriation for the budget sub-programme to which transfers are made. The Director-General shall notify the Executive Council of any such transfers. Transfers in excess of the 15 percent limit shall be made only with the prior concurrence of the Executive Council.

Regulation 4.7

The Director-General shall prudently manage the appropriations voted for a financial period to ensure that expenditures can be met from the funds available for such a period, keeping in view the income received, the availability of cash balances and the application to the approved appropriations of a contingency margin as provided for in the Financial Rules.

Rule 4.7.01
Contingency margin

The Director-General shall determine the percentage for the contingency margin, having regard to the average collection rate for assessed contributions over the last three years. The Director-General may authorise the allotment and obligation of funds up to the level of the approved budget appropriations less this contingency margin. Further authorisations for allotment and obligation shall only be permitted when and to the extent that adequate contributions have been received. The application of a contingency margin shall ensure that expenditure does not exceed the available funds in any given financial period.

Regulation 4.8

The Director-General shall incur unforeseen and extraordinary expenditures only in accordance with the conditions and procedures determined by the Conference of the States Parties.

Regulation 4.9

No draft decision involving financial implications shall be presented to the Conference of the States Parties unless it is accompanied by an estimate of expenditure and a report on the financial, administrative and programme and budget implications, prepared by the Director-General, and the Executive Council's recommendations thereon.

Regulation 4.10

No subsidiary body of the Conference of the States Parties shall take a decision involving a new commitment of funds unless it has before it a report from the Director-General on the financial, administrative and programme and budget implications of the proposal; no expenditure shall be incurred without a decision by the Conference of the States Parties.

Regulation 4.11

With the prior concurrence of the Conference of the States Parties, the Director-General may, if necessary, enter into commitments for future financial periods provided that such commitments relate to work authorised in the current budget and concern: (a) administrative requirements of a continuing nature; (b) contracts where longer lead times are required for purchases of goods or services; or (c) purchases for which payment is to be made over several years.

The commitments mentioned above shall be recorded in a table annexed to the budget document(s) submitted to the Conference of the States Parties for approval.

Rule 4.11.01 Deferred charge account

Commitments entered into under Financial Regulation 4.11 shall be charged to a deferred charge account. The deferred charge shall, in turn, be transferred to the appropriate account when the necessary appropriation or funds become available (see also Rule 4.11.02 with respect to commitments for future years).

Rule 4.11.02 Commitments for future years

Obligations resulting from commitments against resources for future years in accordance with Regulation 4.11 shall initially be charged to a deferred charge account for subsequent transfer to the appropriate allotment for the financial year to which the obligation refers once the relevant appropriation is approved by the Conference of the States Parties.

Regulation 4.12

With respect to the reimbursement of States Parties for expenses incurred by them on authorisation of the OPCW in accordance with paragraph 26 of Part II of the Annex on Implementation and Verification to the Convention, the Director-General shall effect such reimbursements in accordance with these Regulations, and as provided for in the Financial Rules issued under this Regulation.

Rule 4.12.01 Reimbursement of States Parties

In accordance with Part II paragraphs 25 and 26 of the Annex on Implementation and Verification to the Convention, States Parties shall be reimbursed for specific expenses incurred by them in relation to provision of necessary amenities. The following procedures shall apply for reimbursement of States Parties:

- (a) In cases where the State Party is providing directly an amenity or service, the Secretariat shall reimburse to the State Party the actual cost of the service or amenity. However, where established United Nations rates exist (*e.g.*, travel, accommodation, meals, and other services), reimbursement shall not exceed the relevant United Nations rate unless, in exceptional cases and after prior authorisation by the Director-General, such services or amenities would be essential for the conduct of the inspection. In cases where the State Party simply arranges for services or amenities, the inspection team shall not accept services or amenities in excess of established United Nations rates without prior authorisation.
- (b) Reimbursement to a State Party shall take place on the basis of an itemised list of services provided by the Inspected State Party to the Team Leader. The Team Leader shall sign and date the list for services received and shall retain a copy for the Technical Secretariat.
- (c) The invoice for reimbursement of the cost of the services shall be prepared on the basis of the original list of services signed for acceptance by the Team Leader. In cases where facilities or areas of an Inspected State Party are located on the territory of a Host State Party, claims for reimbursement of expenses incurred by the Host State Party shall be submitted and paid through the Inspected State Party, unless otherwise agreed between the Host State Party and the Inspected State Party.
- (d) The invoice shall be sufficiently detailed by each type of expenditure and shall be made out in local currency. If the local currency is not convertible, the invoice shall be prepared in Euros.
- (e) The invoice together with the original list of services received and signed by the Team Leader shall generally be forwarded by the State Party to the Technical Secretariat for reimbursement within 60 days from the completion date of the inspection.
- (f) The invoice, after being checked and certified for correctness, shall be paid by the Technical Secretariat not later than 30 days after receipt from the State Party.

ARTICLE 5 CONTRIBUTIONS AND ADVANCES

Regulation 5.1

The costs of the OPCW's activities shall be paid by States Parties in accordance with the United Nations scale of assessments adjusted to take into account differences in membership between the United Nations and the OPCW, and subject to the provisions of Articles IV and V of the Convention. The contributions from States Parties shall finance the appropriations approved by the Conference of the States Parties. Assessed contributions shall be subject to the adjustments effected in accordance with the provisions of Regulation 5.2. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

Regulation 5.2

The assessed contributions of States Parties shall be assessed for each financial period, taking into account adjustments for:

- (a) supplementary appropriations for which States Parties have not previously been assessed;
- (b) estimated contributions made under the provisions of Articles IV and V of the Convention for the financial period with respect to which the assessment of contributions is being made;
- (c) estimated miscellaneous income for the financial period with respect to which the assessment of contributions is being made;
- (d) contributions resulting from the assessment of new States Parties under the provisions of Regulation 5.7; and
- (e) allocation of the cash surplus in accordance with Regulation 6.3.

Regulation 5.3

After the Conference of the States Parties has adopted the budget, determined the amount of the Working Capital Fund and decided on the scale of assessments for both, the Director-General shall:

- (a) transmit the relevant documents to States Parties;
- (b) inform States Parties of their commitments in respect of their assessed contributions to the budget and advances to the Working Capital Fund; and
- (c) request States Parties to remit their assessed contributions and advances.

Rule 5.3.01

Receipt of contributions and advances

Contributions to the Regular Budget Fund and advances to the Working Capital Fund shall be credited to the debtor account of a particular State Party on the date when the OPCW receives a cheque from the State Party concerned or, in the case of transfers, when the OPCW's bank account receives credits for these funds. Bank charges applied by the paying bank shall be borne by the State Party concerned.

Regulation 5.4

Assessed contributions to the budget and advances to the Working Capital Fund shall be due and payable in full within 30 days of the receipt of the communications referred to in Regulation 5.3 above, or on the first day of the financial period to which they relate, whichever is later.

Contributions subject to the provisions of Articles IV and V of the Convention shall be due and payable in full within 90 days of receipt of the invoice, subject to the Financial Rules under this Regulation.

Rule 5.4.01**Contributions under Articles IV and V of the Convention**

- (a) Contributions subject to the provisions of Articles IV and V of the Convention shall, where the State Party concerned concurs with the invoice in its entirety, be paid in full to the OPCW by the State Party within 90 days of receipt of the invoice. Where the State Party concerned is in a position to concur initially with only part of the invoice, that part with which it agrees shall likewise be paid in full within 90 days of receipt of the invoice.
- (b) Where the State Party concerned challenges either an entire invoice or part of an invoice for technical reasons, or seeks further clarification from the Technical Secretariat, the following procedures will apply with respect to those amounts in the invoice—and only those amounts—that are contested or for which clarification is sought:
 - (i) A State Party that contests the whole or any part of an Article IV or V invoice issued by the Technical Secretariat shall, within 30 days of receipt of the invoice, inform the Technical Secretariat in writing of its specific concerns, indicating in detail the specific amount or amounts which it is questioning, and the reason(s) why.
 - (ii) The Technical Secretariat shall, within 60 days of the State Party's receipt of the invoice, reply in writing to the State Party's written challenge or query, providing either a detailed clarification or, in the event of agreement concerning a contested amount, a revised invoice containing the revised amount or amounts for those parts of the initial invoice that had been challenged.
 - (iii) The Technical Secretariat and the State Party concerned shall make every effort to settle any differences with regard to invoices or parts of invoices within 90 days of the State Party's receipt of the initial invoice. Resolution of differences within the 90-day period should be considered the norm; and lack of agreement, an exceptional circumstance.

- (iv) The State Party concerned shall, within 120 days of receipt of the initial invoice, pay in full any amount(s) that had been contested and on which agreement had been reached during the 90-day period referred to in Financial Rule 5.4.01(b)(iii).
- (v) In the exceptional circumstance that no agreement is reached during the 90-day period following receipt of the invoice, the Director-General shall, in his monthly report to the Executive Council on OPCW income and expenditures, include a report on unresolved differences concerning Article IV and V invoices, listing the amounts involved and explaining the nature and duration of the dispute.

Regulation 5.5

Contributions to the budget and advances to the Working Capital Fund shall be assessed and paid in Euros.

Regulation 5.6

- (a) Payments made by a State Party, other than contributions under Articles IV and V of the Convention shall be credited first to the Working Capital Fund and then to the assessed contribution(s) due, in the order in which those contributions were assessed.
- (b) Payments made by a State Party pursuant to Articles IV and V of the Convention shall be credited to the specific invoice(s) referenced by the State Party.

Regulation 5.7

New States Parties shall be required to make an assessed contribution to the budget for the financial period in which they become members, and to provide their proportional share of the total advances to the Working Capital Fund at rates to be determined by the Conference of the States Parties. The assessed contribution of a new State Party for the financial period in which it joins the OPCW shall be based on the number of full months remaining in the financial period after the date on which the new State Party has deposited its instrument of ratification of, or accession to, the Convention. A new State Party's assessed contribution to the budget and its advances to the Working Capital Fund shall be due and payable within 30 days of receiving notice from the Director-General of the assessments made by the Conference of the States Parties.

Regulation 5.8

The Director-General shall submit to each regular session of the Conference of the States Parties, through the Executive Council, a report on the collection of contributions to the budget and advances to the Working Capital Fund, drawing attention to the provisions of Article VIII, paragraph 8 of the Convention as appropriate.

Regulation 5.9

A State Party which withdraws from the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, under Article XVI of the Convention, and thus ceases to be a member of the OPCW, shall not be entitled to reimbursement of contributions.

**ARTICLE 6
FUNDS****Regulation 6.1**

A Regular Budget Fund shall be established for the purpose of accounting for the OPCW's income and expenditure. All contributions received from States Parties under Regulation 5.1, irrespective of whether such contributions are for the current financial period, a future financial period, or are arrears from a previous financial period, shall be credited to the Regular Budget Fund. Miscellaneous income and transfers from the Working Capital Fund shall also be credited to the Regular Budget Fund. All of the OPCW's expenditures for appropriations authorised under Regulation 4.1 shall be made from the Regular Budget Fund. Reimbursements to the Working Capital Fund under Regulation 6.6 shall also be made from the Regular Budget Fund.

Regulation 6.2

At the end of each financial period the provisional cash balance for the financial period shall be determined by establishing the balance between the following credits and charges to the Regular Budget Fund:

- (a) credits:
- contributions actually received for the financial period from States Parties; and
 - miscellaneous income received for the financial period;
- (b) charges:
- all disbursements against the appropriation for that financial period;
 - provisions for unliquidated obligations to be charged against the appropriations for that financial period; and
 - transfers to special funds as authorised by the Conference of the States Parties.

The provisional cash balance shall be retained in the Regular Budget Fund for the next twelve months.

Regulation 6.3

Cash surplus:

- (a) at the end of the twelve-month period referred to in Regulation 6.2 the cash surplus for the financial period shall be determined by crediting to the provisional cash balance:
- any arrears of prior years' contributions received during that period;
 - any savings from the provisions made for unliquidated obligations pursuant to Regulation 6.2(b); and
 - any receipts of miscellaneous income relating to prior years.
- (b) after the final audit by the External Auditor of the accounts for the twelve-month period referred to in Regulation 6.2 has been completed, the cash surplus shall be allocated among States Parties in accordance with the scale of assessments for the financial period to which the surplus relates; and
- (c) the individual allocations to those States Parties which have paid their assessed contributions in full for the financial period to which the surplus relates shall be applied to liquidate, in the following manner:
- any outstanding advances to the Working Capital Fund;
 - any arrears of assessed contributions;
 - any arrears of contributions subject to the provisions of Articles IV and V of the Convention, provided the amounts concerned are not contested; and
 - assessed contributions for the current and following financial period.

Regulation 6.4

A Working Capital Fund shall be established in an amount and for the purposes to be determined from time to time by the Conference of the States Parties. It should not exceed two-twelfths of the budget provision for that financial period, subject to the provisions of Regulation 6.5. The Working Capital Fund shall be funded by advances from States Parties made in accordance with the scale of assessments as determined by the Conference of the States Parties for the apportionment of the OPCW's approved budget. Advances shall be carried to the credit of the States Parties which make them.

Regulation 6.5

On joining the OPCW, every new State Party shall make an advance to the Working Capital Fund in accordance with the scale of assessments applicable to the budget of the year of its ratification or accession. The level of the Working Capital Fund shall be increased by the amounts that new States Parties are required to pay until the Conference of the States Parties establishes a new level for the fund.

Regulation 6.6

All transfers of funds made from the Working Capital Fund to finance budgetary appropriations shall be reimbursed as soon as feasible, but in any case within the financial period which follows the period in which they are made.

Regulation 6.7

Income derived from Working Capital Fund investments shall be credited to miscellaneous income.

Regulation 6.8

To account for voluntary contributions, trust funds may be established by the Conference of the States Parties for clearly defined activities of the OPCW. Such funds may also be established by the Director-General, on which he shall report through the Executive Council to the Conference of the States Parties. Trust funds shall be administered in accordance with the applicable Financial Regulations, unless otherwise provided for by the Conference of the States Parties.

Regulation 6.9

Special funds may be established by the Conference of the States Parties for clearly defined activities which are consistent with the object and purpose of the OPCW as defined in the Convention. Any special funds which are established shall be financed in a manner determined by the Conference of the States Parties. Special funds shall be administered in accordance with the applicable Financial Regulations, unless otherwise provided for by the Conference of the States Parties.

Regulation 6.10

All receipts from voluntary contributions to the Voluntary Fund for Assistance established in accordance with Article X(7)(a) of the Convention shall be credited to that Fund. Unless otherwise provided by the Conference of the States Parties, this Fund shall be administered in accordance with the applicable Financial Regulations, and as provided for in the Financial Rules issued under this Regulation.

Rule 6.10.01**Objective of the Voluntary Fund for Assistance**

The objective of the Voluntary Fund for Assistance shall be to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested. The Technical Secretariat shall ensure that assistance can be provided in an appropriate manner.

Rule 6.10.02

Application of the Voluntary Fund for Assistance

To fulfil the objective set out in Financial Rule 6.10.01, the Voluntary Fund for Assistance shall be applied as follows:

- (a) to contribute to the creation, maintenance and periodic replenishment of the stockpile for emergency assistance to be maintained by the OPCW; and
- (b) to ensure that the OPCW has continued availability of means to provide assistance under Article X of the Convention.

Rule 6.10.03

Contributions to the Voluntary Fund for Assistance

The Voluntary Fund for Assistance shall be credited with voluntary contributions from States Parties, which shall be made in convertible currencies to the OPCW. The Director-General may accept contributions for credit to the Voluntary Fund for Assistance from other sources, *inter alia* non-governmental organisations, institutions, private parties or individuals. The Director-General is authorised to accept contributions to the Voluntary Fund for Assistance under the following conditions:

- (a) There shall be no limit, upper or lower, on the amount(s) contributed to the Voluntary Fund for Assistance.
- (b) No donor may place any restrictions on the use to which the OPCW may apply contributions to the Voluntary Fund for Assistance, except where the Conference of the States Parties or, acting on its behalf, the Executive Council has determined that the Director-General may accept such contributions.

Rule 6.10.04

Reporting to the Executive Council

The Director-General shall administer the Voluntary Fund for Assistance under the supervision of the Executive Council. At least once a year, the Director-General shall report to the Executive Council, for its review, on the status of the Voluntary Fund for Assistance. Such a review will cover the uses to which contributions have been applied and the adequacy of resources available.

Rule 6.10.05

Replenishment of the Voluntary Fund for Assistance

Acting under the direction of the Executive Council, the Director-General shall take appropriate measures to encourage contributions to the Voluntary Fund for Assistance, including, from time to time, its replenishment.

**ARTICLE 7
OTHER INCOME**

Regulation 7.1

All other income shall be classified as miscellaneous income and credited to the Regular Budget Fund, except:

- (a) contributions to the budget under Regulation 5.1;
- (b) advances to the Working Capital Fund under Regulation 6.4;
- (c) direct refunds of expenditures made during the financial period;
- (d) advances, deposits or voluntary contributions to trust funds or special funds established by the Conference of the States Parties under Regulation 6.8; and
- (e) contributions to the Voluntary Fund for Assistance.

**Rule 7.1.01
Miscellaneous income**

Miscellaneous income shall include the assessed contributions required of new States Parties under Regulation 5.7. Where such membership comes after the adoption of the scale of assessments for the following year, the new State Party's assessment for that year shall also be credited to miscellaneous income.

**Rule 7.1.02
Proceeds from loans**

Proceeds from the reimbursable loans of staff members or from other services rendered shall be credited as miscellaneous income.

**Rule 7.1.03
Refunds of expenditure**

Refunds of expenditure which had been charged in the same financial period against the budgetary accounts shall be credited against the same accounts, but refunds of expenditure from prior financial periods shall be credited to miscellaneous income.

**Rule 7.1.04
Adjustments to special funds and trust funds**

Adjustments which arise subsequent to the closing of special or trust funds shall be charged or credited to miscellaneous income of the appropriate account.

Regulation 7.2

Voluntary contributions that are consistent with the policies, aims and activities of the OPCW for the implementation of the Convention may be accepted by the Director-General in accordance with the relevant provisions of these Regulations and the criteria laid down by the Executive Council and confirmed by the Conference of the States Parties.

Rule 7.2.01

Voluntary contributions involving financial liability

Voluntary contributions which directly or indirectly involve a current or future financial liability for the OPCW shall be accepted by the Director-General only with the prior approval of the Conference of the States Parties on the basis of a recommendation from the Executive Council. In submitting such cases for the approval of the Conference of the States Parties, the financial liability shall be indicated separately and suitably detailed.

Regulation 7.3

Monies accepted under Regulation 7.2 for purposes specified by the donor, except contributions to the Voluntary Fund for Assistance, shall be treated as trust funds under Regulation 6.8.

Regulation 7.4

Monies accepted under Regulation 7.2 for which no purpose is specified shall be treated as miscellaneous income and reported as “gifts” in the OPCW’s financial statements.

Regulation 7.5

The accounting policy for determining the monetary value of voluntary contributions in kind shall be decided by the Executive Council.

**ARTICLE 8
CUSTODY OF FUNDS**

Regulation 8.1

The Director-General shall designate the banks or other financial institutions in which the OPCW’s funds shall be kept.

Rule 8.1.01
Bank accounts

The Director-General shall establish such official bank accounts as may be required for the transaction of OPCW business and shall designate signatories to operate these accounts. On behalf of the Director-General, the Principal Financial Officer may, with appropriate notification to the bank, amend the list of authorised signatories.

Regulation 8.2

In designating such banks or other financial institutions, the Director-General shall have regard for the security of the OPCW's cash assets. In particular, the Director-General shall select only banks or other financial institutions that have a high credit rating and financial standing in the financial community.

Rule 8.2.01

Selection of banks or other financial institutions in which OPCW's funds shall be kept

The Principal Financial Officer shall advise the Director-General on the selection of banks or other financial institutions in which the OPCW's funds shall be kept. The Principal Financial Officer shall introduce appropriate procedures to ensure that the status of designated banks or other financial institutions is regularly reviewed.

ARTICLE 9
INVESTMENTS

Regulation 9.1

The Director-General may make short-term investments of monies that are not needed to pay for the OPCW's immediate requirements. In making such investments, the Director-General shall take all necessary steps to ensure that the OPCW has sufficient liquid funds for its day-to-day operations; that undue currency risks are avoided; and that a reasonable rate of return is earned on investments, without jeopardising the security of the OPCW's assets. The Executive Council may request the Director-General to establish an Investment Advisory Group to provide advice on short- and long-term investments.

Rule 9.1.01
Investment of funds

- (a) Acting on behalf of the Director-General, the Principal Financial Officer may make short-term investments of monies not needed to pay for the OPCW's immediate requirements, and may make investments on account of the Regular Budget Fund, trust funds, special funds and other funds, subject always to the provisions of the appropriate regulations, rules, terms or conditions relating to such funds.

- (b) The Principal Financial Officer shall ensure, including by establishing appropriate guidelines, that funds are invested in such a way as to place primary emphasis on minimising the risk to principal funds and ensuring the liquidity necessary to meet the Organisation's cash flow requirements. In addition to these criteria, investments shall be selected on the basis of achieving the highest reasonable rate of return and shall accord with the principles of the OPCW. A summary statement of the investment activities of the OPCW shall be provided to the External Auditor at the time of audit.

Rule 9.1.02

Limit on investments with one institution

The Director-General shall ensure that no more than 25% of the OPCW's total cash assets are normally invested in one institution, subject to a maximum of EUR 12 million. The Director-General shall report any exceptions to this Rule to the Executive Council.

Rule 9.1.03

Investments ledger

Investments shall be registered in an investments ledger which shall show relevant details for each investment, including the face value, cost, date and place of deposit, date of maturity, proceeds of sale and income earned.

Rule 9.1.04

Investment Advisory Group

Subject to the concurrence of the Executive Council on the composition of the Investment Advisory Group, membership of the Group shall normally be restricted to experts of recognised standing on investment management.

Regulation 9.2

The Director-General may, after approval by the Executive Council, make long-term investments of monies standing to the credit of trust funds and special funds.

Regulation 9.3

Income derived from investments shall be credited to the fund from which it was derived, unless otherwise provided for by the Conference of the States Parties.

Rule 9.3.01

Income from investments

- (a) Income derived from investments of the Regular Budget Fund and of the Working Capital Fund shall be taken into account as miscellaneous income. Income from investments of trust funds and special funds shall include amounts from investments and other income attributable to such funds and shall be credited to the trust funds or special funds concerned.

- (b) Any investment losses must be reported at once by the Principal Financial Officer to the Director-General. The Director-General shall prepare a detailed report concerning these losses and any required follow-up action. This report shall be provided immediately to the External Auditor, as well as reported to Member States through existing reporting mechanisms.
- (c) Investment losses shall be borne by the fund, trust fund, or reserve or special account from which the principal amounts were obtained.

Regulation 9.4

The Director-General shall report at least annually to the Executive Council on the status of investments made.

**ARTICLE 10
INTERNAL CONTROL****Regulation 10.1**

The Director-General shall:

- (a) establish detailed financial rules and procedures to ensure: effective financial administration; the exercise of economy; the efficient use of resources; and the proper custody of the OPCW's physical assets;
- (b) maintain necessary accounting records in sufficient detail to form the basis of the OPCW's financial statements;
- (c) maintain separate books of account for all trust funds, special funds and the Voluntary Fund for Assistance;
- (d) cause all disbursements to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received and that payment has not previously been made;
- (e) designate a strictly limited number of officers who may receive monies, incur obligations and make payments on behalf of the OPCW; and
- (f) maintain internal financial controls which provide for effective ongoing examinations and/or reviews of financial transactions to ensure:
 - (i) the regularity of the receipt, custody and disposal of the OPCW's funds and other financial resources;

- (ii) that the OPCW's obligations and expenditures are in conformity with the appropriations and other financial provisions approved and adopted by the Conference of the States Parties and, as appropriate, with the purposes and rules relating to trust funds, special funds and the Voluntary Fund for Assistance; and

- (iii) that the OPCW's resources are used economically.

Rule 10.1.01

Basis for payment of salaries and related entitlements

The basis for payment of salaries and related entitlements to staff members shall be the letters of appointment and the salary scales and other entitlements as set out in the Staff Regulations, Rules and Directives. For payments to individuals other than staff members, such as consultants, lecturers at OPCW meetings, inspector trainees and holders of fellowships, the payment of entitlements shall be based on the terms of the contractual agreement or other equivalent document setting out the emoluments applicable.

Rule 10.1.02

Basis for payment of entitlements related to official travel

For payments related to official travel by staff members and their dependants, entitlements shall be based on the Staff Regulations, Rules and Directives. For travel by other individuals, payments shall be based on the terms of the contractual agreement or other equivalent document setting out the payments applicable.

Rule 10.1.03

Basis for payment for goods and services

Subject to the provisions of Financial Rules 10.1.09 and 10.1.11 on advance and progress payments, payment for goods and services shall be made in accordance with the terms of the relevant contractual agreement.

Rule 10.1.04

Approving Officer

- (a) The Director-General shall designate the Approving Officers and their alternates in a Financial Directive. To ensure segregation of duties, the Principal Financial Officer and the Treasury Officer shall not act as an Approving Officer.

- (b) Approving authority and responsibility is assigned on a personal basis and cannot be delegated. An Approving Officer cannot exercise certifying functions or bank signatory functions.

- (c) Approving Officers must maintain detailed records of the obligations they approve, and must be prepared to submit any supporting documents, explanations and justifications that might be requested by the Director-General.

Rule 10.1.05
Approval of obligations

An Approving Officer shall be responsible for examining proposed obligations to ensure that the appropriate Certifying Officer has authorised the obligation because, as a general principle, no obligation shall be established without prior certification by a Certifying Officer.

Rule 10.1.06
Approval of payments

An Approving Officer shall be responsible for ensuring that vouchers and other documents passed by Certifying Officers for payment are properly supported by evidence that goods or services have been received in accordance with the contractual agreement establishing the obligation; that the documentation comprises duly certified original vouchers; that payment has not previously been made; and that the supporting documents do not have irregularities which might indicate that the payment is not properly due.

Rule 10.1.07
Certification of supporting documents

For payments which are directly related to, and not in excess of, a recorded obligation whose establishment has previously been certified by a Certifying Officer, certification of the invoice shall not be required. For payments of EUR 2,500 and below, where no funds were reserved in advance by the recording of an obligation under the authority of Rule 10.3.02, the supporting documentation indicating that a payment is due must be certified by a Certifying Officer before the payment may be approved.

Rule 10.1.08
Discounts

Every effort shall be made to benefit from discounts offered by a supplier or contractor for timely payment provided that prompt payments do not jeopardise the solvency of any account portfolio by resulting in negative balances.

Rule 10.1.09
Advance payments

- (a) When standard commercial practices or the interest of the OPCW so requires, contractual agreements may exceptionally be issued to provide for payment or deposits in advance of the receipt of goods or the performance of services or the submission of shipping documents.
- (b) Advance payments may also be made in respect of entitlements of staff members as set forth in the Staff Regulations and Rules, expenditures related to official travel, expenditures related to meetings, including training courses, held by the OPCW, and imprest funds. Such advance payments shall be settled at the earliest opportunity, which shall not be later than one month unless, in exceptional cases, the Director-General approves a longer settlement period.

- (c) All advance payments shall be authorised by the Principal Financial Officer or by other officials designated by the Principal Financial Officer and shall be accompanied by appropriate safeguards. In addition, the Principal Financial Officer may authorise such other advances as may be approved by the Director-General.
- (d) Whenever an advance payment is agreed to, the reasons for the advance shall be documented in the underlying accounting records.

Rule 10.1.10
Imprest funds

On behalf of the Director-General, the Principal Financial Officer may establish imprest funds when, in the opinion of the Principal Financial Officer, it would improve the efficiency of the OPCW's operations to do so, for example when the OPCW cannot make timely payment by following standard procedures. Such funds may be used only for the purposes specified, and payment made from them shall not exceed the limits authorised. The levels of the imprest funds should be established in line with operational requirements. The Principal Financial Officer shall establish procedures for the operation of imprest funds. The procedure shall be spelled out in a Financial Directive.

Rule 10.1.11
Receipt of income

Only the Principal Financial Officer, the Treasury Officer, and other officials designated by the Director-General shall be authorised to receive monies and to issue official receipts on behalf of the OPCW if so required by a State Party, donor or other contributor. Each receipt of money shall be recorded in the OPCW's accounting records by means of a receipt voucher as of the day of receipt and not later than the next business day.

Rule 10.1.12
Notification of income receipt

On receipt of advances to the Working Capital Fund, contributions to the Regular Budget Fund or voluntary contributions, an official letter of receipt signed by the Principal Financial Officer or other authorised staff member shall be transmitted promptly to the State Party concerned or to the donor.

Rule 10.1.13
Deposit of monies

The Treasury Officer shall ensure that all monies received are deposited in an official bank account of the OPCW not later than the next business day following the day of receipt.

Rule 10.1.14
Currency conversion

Except in case of investment transactions or for other purposes authorised by the Principal Financial Officer, staff members responsible for the operation of OPCW bank accounts or for holding OPCW cash or negotiable instruments shall not be authorised to exchange one currency for another, except to the extent necessary for the transaction of official business.

Rule 10.1.15**Payments**

The Principal Financial Officer, the Treasury Officer and other officials as designated by the Director-General are authorised to make payments which have been approved by an Approving Officer. Payments shall normally be made by written bank instruction, except for cash payments made from imprest funds. A payment shall be recorded on the accounts as of the date when the payment is processed. For the purpose of this Rule, written bank instructions shall include the following: cheques, transfer orders, letters of credit, payment orders, and cables and other electronically transmitted instructions that are duly authenticated with the pertinent confidential code and of which a hard copy is retained.

Rule 10.1.16**Bank signatories**

Written bank instructions shall be signed by two staff members designated by the Director-General pursuant to Rule 10.1.15. When satisfied that adequate safeguards are provided, the Director-General may authorise the signature of cheques by one signatory only or may authorise the use of facsimile or stamp signatures. Cables and other electronically transmitted instructions may be despatched only by staff members authorised by the Principal Financial Officer. To provide adequate internal control, Approving Officers shall not be authorised to issue written bank instructions.

Rule 10.1.17**Accounting records**

The Principal Financial Officer shall ensure that appropriate accounting records are maintained showing all payments made and receipts received, and that adequate evidence supporting payment or receipt is obtained for all transactions.

Regulation 10.2

The Director-General shall establish rules and procedures for the storage and protection of all materials, supplies, instruments and equipment in the possession of the OPCW.

Rule 10.2.01**Accounting for non-expendable property**

The Principal Financial Officer shall ensure that complete and accurate records are maintained for all OPCW non-expendable property with a purchase or acquisition value of EUR 1,000 or more per unit and with a serviceable life of more than one year. Subject to these conditions, non-expendable property includes inspection and laboratory equipment, information systems equipment, furniture, motor vehicles and other tangible assets as may be purchased by the OPCW. The records shall document the value of equipment and other property purchased, and the projected serviceable life span of each asset. Attractive non-expendable items with a value below EUR 1,000 per unit shall also be subject to similar control.

Rule 10.2.02
Responsibility for the non-expendable-property records

Responsibility for the non-expendable-property records shall rest with the Principal Financial Officer, who shall designate the staff member(s) responsible for maintaining the property records, the staff member(s) accountable for the property records, and the staff member(s) accountable for the property. Non-expendable property shall be assigned to the receiving programme, and the Head of Programme concerned shall be responsible and accountable for the property. Where non-expendable property items are transferred from one programme to another programme, the property records shall be adjusted accordingly.

Rule 10.2.03
Verification of non-expendable property

The Principal Financial Officer shall ensure that the existence, ownership and condition of non-expendable property are periodically verified. This physical verification shall take place at such intervals as deemed necessary by the Principal Financial Officer, but at least once each year.

Rule 10.2.04
Consumable supplies

The Principal Financial Officer shall establish appropriate accounting and physical controls to ensure the proper custody and management of consumable supplies.

Rule 10.2.05
Receipt of supplies and equipment

All supplies, equipment or other property received by the OPCW shall be inspected to ensure that their condition is satisfactory and in accordance with the terms of the related contractual agreement. A receiving report shall be issued for all items received and shall be entered into the appropriate property records.

Rule 10.2.06
Supporting documentation

All transactions related to supplies, equipment or other property shall be recorded, and these records shall be supported by appropriate vouchers or evidence of receipt and issue, except for such items where the maintenance of detailed records is deemed by the Principal Financial Officer to be uneconomical or impractical.

Rule 10.2.07
Property Survey Board

The Director-General may establish a Property Survey Board to provide advice on the management of the OPCW's non-expendable property. The composition of the Board and its terms of reference shall be determined by the Director-General and announced in a Financial Directive.

Rule 10.2.08
Sale or disposal of non-expendable property

The Principal Financial Officer may arrange for the sale of non-expendable property declared surplus or unserviceable. Such sales shall normally be by competitive bidding. However, competitive bidding is not necessary when:

- (a) the estimated sales value is, in the opinion of the Principal Financial Officer, less than EUR 2,500;
- (b) the best interest of the OPCW will be served by sale at fixed unit prices recommended by the Principal Financial Officer and approved by the Director-General;
- (c) the exchange of property in partial or full payment for replacement equipment will, in the opinion of the Director-General, be in the interest of the OPCW; and
- (d) the destruction of the surplus or of unserviceable items will be more economical or is required by law or by the nature of the property.

Rule 10.2.09
Removal of assets from the non-expendable property records

Property which has been lost, sold or disposed of shall be removed from the records of non-expendable property. Removal of such items from the records shall require the prior authorisation of the Principal Financial Officer.

Rule 10.2.10
Sales on a cash basis

Sales of OPCW property shall be on a basis of cash payments on or before delivery, except as provided for in Rule 10.2.08(c) and 10.2.08(d). Such sales shall be reflected in the accounting records.

Rule 10.2.11
Accounting for proceeds from sales

The proceeds from the sale of property shall be credited as miscellaneous income to the Regular Budget Fund, trust funds or special funds.

Regulation 10.3

No obligations shall be incurred until allotments or other appropriate authorisations have been made in writing by the Director-General.

Rule 10.3.01
Responsibility for allotments

The Heads of Programme to whom allotments are issued are responsible to the Director-General for the correct use of such allotments.

Rule 10.3.02
Expenditure items requiring obligation documents

Heads of Programme shall ensure that funds are reserved in the appropriate allotment account through the recording of an obligation before a commitment is entered into from any contract, agreement or undertaking of any nature and which exceeds EUR 2,500. Obligations for salaries, common staff costs, temporary assistance, overtime and travel shall require reservation of funds in the appropriate allotment accounts before a commitment is entered into, irrespective of the amount involved.

Rule 10.3.03
Proposals to incur obligations

- (a) Heads of Programme shall ensure that proposals to incur obligations against allotments under their responsibility are fully documented. The proposals shall indicate the purpose of the proposed expenditure and the specific allotment to be charged.
- (b) Designated Heads of Programmes are responsible for managing the utilisation of resources, including posts, in accordance with the purposes for which those resources were approved, the principles of efficiency and effectiveness, and the Financial Regulations and Rules of the OPCW. Heads of Programmes must maintain detailed records of all obligations and expenditures against the funding objects for which they have been delegated responsibility. They must be prepared to submit any supporting documents, explanations and justifications requested by the Director-General.

Rule 10.3.04
Certifying Officers

- (a) The Director-General shall designate in a Financial Directive the individual Certifying Officers and their alternates, notwithstanding that the Principal Financial Officer shall have authority to act as Certifying Officer for obligations under all allotments. Certifying Officers shall be responsible for examining the proposed obligations to ensure that funds are available and have been allotted, and that the proposed expenditure is in accordance with the purpose for which the relevant appropriation was intended. The authority granted and responsibility assigned to Certifying Officers is a personal one and can be delegated only to the alternates as designated by the Director-General in the Financial Directive.
- (b) One or more officials shall be designated by the Director-General as the Certifying Officer(s) for the funding object(s) pertaining to a Chapter, programme or sub-programme of an approved budget.

- (c) Certifying Officers are responsible for ensuring that the proposed utilisation of resources, including posts, is in accordance with the purposes for which those resources were approved and with the Financial Regulations and Rules of the OPCW. Certifying Officers must maintain detailed records of all obligations against the funding objects for which they have been delegated certifying responsibility. They must be prepared to submit any supporting documents, explanations and justifications requested by the Director-General.

Rule 10.3.05

Increase and decrease in obligations

Increases in obligations incurred or proposed shall be subject to the same procedures that apply to the incurring of original obligations. Certifying Officers shall have the responsibility for notifying the Approving Officer when an obligation is increased, decreased (other than by payment) or cancelled, so that the accounting records may be adjusted accordingly.

Rule 10.3.06

Review of outstanding obligations

Certifying Officers shall be responsible for reviewing periodically the outstanding obligations retained against appropriations of the previous financial period in accordance with Regulation 4.3. Obligations reflected in the accounts which are no longer valid shall be cancelled from the accounts forthwith, and the resulting credit surrendered. If the obligation is determined to be valid, it shall be reobligated against the appropriations of the current financial period.

Regulation 10.4

The Director-General may make such *ex gratia* payments as he deems to be necessary in the interest of the OPCW, up to such limits as may be determined by the Executive Council and as may be approved by the Conference of the States Parties. The Director-General shall, in the OPCW's audited financial statements, submit a statement of such payments to the Executive Council and the Conference of the States Parties.

Rule 10.4.01

***Ex gratia* payments**

The Director-General may make *ex gratia* payments up to such limits as determined by the Executive Council from time to time in cases when, although in the opinion of the Legal Adviser there is no legal liability on the OPCW, the moral obligation is such as to make payment desirable in the interest of the OPCW. The personal approval of the Director-General is required for *ex gratia* payments when:

- (a) the amount exceeds EUR 5,000; or
- (b) the recipient is a staff member of the OPCW receiving a salary equivalent to, or higher than, that of the lowest level and step of the professional category.

In other cases the Director-General may delegate authority for approval of *ex gratia* payments to the Principal Financial Officer.

Regulation 10.5

The Director-General shall, after full investigation, and subject to the recommendations of the Executive Council and approval by the Conference of the States Parties, write off losses of cash, stores and other assets. Notwithstanding the above, the Director-General shall, after full investigation and acting on his own authority and without prior consideration by the Executive Council and the Conference of the States Parties, authorise the write-off of losses of funds, stores, equipment and other assets (other than arrears of assessed contributions and the payment of verification costs under Articles IV and V of the Convention) to an amount not exceeding EUR 500 per item and not exceeding a total amount of EUR 10,000 in a given financial period. A statement of all losses during each financial period shall be submitted to the External Auditor as part of the financial statements prepared under Regulation 11.1.

Rule 10.5.01

Writing-off of losses of cash, stores and assets

Any loss of cash, stores and other assets must be reported by the Principal Financial Officer to the Director-General and, subsequently, to the External Auditor. No amount due to the OPCW may be waived without the prior written authorisation of the Director-General. The investigation referred to in Regulation 10.5 shall, in each case, fix the responsibility, if any, attaching to any staff member of the OPCW for the loss. Such staff member may be requested by the Director-General to reimburse the loss, either partially or in full.

Regulation 10.6

Procurement of equipment, supplies and other requirements shall be made on a competitive basis and in accordance with the Financial Rules issued under this Regulation.

Rule 10.6.01

Contractual agreements, authorised officials, and directives

- (a) Contractual agreements for the purchase, rental or sale of goods or services, including professional services in the form of consultancies, but excluding staff contracts, shall be entered into on behalf of the OPCW only by officials duly authorised by the Director-General, as laid down in a Financial Directive. Purchasing, renting or selling activities shall include, in addition to entering into contractual agreements, the calling for tenders, quotations or proposals and the negotiation with potential suppliers or purchasers on the basis of detailed specifications.
- (b) The Director-General shall establish a Financial Directive outlining the internal procurement procedures to be followed to ensure adherence to these Financial Rules. The Financial Directive shall include procedures for the selection of professional services as described in this Rule.

Rule 10.6.02**Definitions**

- (a) **Proposal** shall mean a suggested, written plan put forward by a potential supplier in response to a call for proposals normally used for the procurement of services.
- (b) **Purchase order** shall mean a promise to purchase goods or services in a standard format and in accordance with stipulated terms and conditions. Subsequent acceptance of the purchase order by the stipulated supplier results in a contractual agreement.
- (c) **Quotation** shall mean an informal offer which is presented by a potential supplier in response to a call for quotations indicating the price at which supply will be made if an order should be placed.
- (d) **Tender** shall mean an offer to supply goods or services at a specified price which is presented by a potential supplier under sealed cover in response to an invitation to tender. A tender is subject to special conditions of receipt and handling.

Rule 10.6.03**Requests for procurement**

Requests for procurement shall be made in writing and shall include full particulars and detailed specifications relating to the request. Such requests shall be authorised by the Head of the Programme concerned or a duly authorised delegated official and submitted to officials authorised pursuant to Rule 10.6.01 subject to availability of funds in accordance with Rule 10.3.04.

Rule 10.6.04**Committee on Contracts**

- (a) There shall be established in a Financial Directive a Committee on Contracts to render written recommendations to the Director-General or such other officials authorised under Rule 10.6.01, on:
 - (i) all contractual agreements to be entered into which involve commitments to a single contractor, including those involving a sole supplier, in respect of a single requisition or a series of related requisitions totalling EUR 25,000 or more;
 - (ii) all contractual agreements or series of related contractual agreements with the same contractor which involve income to the OPCW of EUR 25,000 or more;
 - (iii) proposals for the modification or renewal of contracts previously recommended by the Committee, except when the difference between the value of the original contract and that of the renewed or modified contract does not exceed 10% of the original contract value or EUR 10,000, whichever is less; and

- (iv) such other matters as may be referred to the Committee by the Director-General or such other officials authorised under Rule 10.6.01.
- (b) When the Director-General does not accept the recommendations of the Committee on Contracts, the Director-General shall record the reasons for this in writing.
- (c) Contractual agreements resulting from the recommendations of the Property Survey Board mentioned under Rule 10.2.07 shall not be referred to the Committee on Contracts.
- (d) Contractual agreements on inspection equipment will carry the clear proviso that the item of equipment will be commercially available to States Parties to the Chemical Weapons Convention, in order to fulfil the inspection requirements.

Rule 10.6.05

Calls for tenders, quotations or proposals

- (a) Except as provided in Rule 10.6.06, contractual agreements for the purchase or rental of goods or services shall be let after calling for tenders, quotations or proposals.
- (b) Tenders shall be required for procurement requests of over EUR 25,000 and shall be invited by advertising through publication or distribution of formal invitations to tender on as wide an international basis as possible, taking into account the existence of possible sources of procurement.
- (c) All calls for tenders, quotations and proposals issued for inspection equipment will carry the stipulation that procurement of items of equipment will be subject to the commercial availability of all such items to States Parties.
- (d) Invitations to tender shall provide all information necessary for a potential supplier to prepare a tender for the goods or services to be provided. Criteria that will be used to determine the award (such as cost, technical acceptability and time for completion) and the relative importance of such criteria shall be specifically described in the invitation.
- (e) Where the nature of the work involved precludes invitations to tender and where proposals are called, a comparative analysis of such proposals shall be kept on record.
- (f) Quotations shall be required for procurement requests of EUR 1,000 to EUR 25,000, and shall be invited by the distribution of at least three requests to quote. Supporting documentation shall be kept on record.
- (g) A list of suppliers may be kept in accordance with Financial Directives to be issued by the Director-General. Inclusion in this list shall not be construed as a prerequisite for submitting a valid tender where no pre-qualification criteria have been established. Such a list shall periodically be made available to States Parties.

- (h) For more-complex projects, including orders for custom-designed technology, pre-qualification criteria shall be established to ensure that only those suppliers assessed as capable of performing the work incur the cost of submitting a tender. Such pre-qualification criteria shall be made public well in advance of any project.
- (i) The Director-General shall, in accordance with the Financial Regulations and Rules, seek to provide a full and fair competitive opportunity to all potential suppliers, whilst also ensuring a transparent and competitive procurement procedure.

Rule 10.6.06

Exceptions to calling for tenders, quotations or proposals

Contractual agreements may be awarded without calling for tenders, quotations or proposals provided that such agreements are in compliance with Rule 10.6.05(c) and when:

- (a) the proposed contractual agreement involves commitments of under EUR 1,000;
- (b) the proposed contractual agreement involves a sole available supplier of a particular good or service;
- (c) the prices or rates are fixed pursuant to national legislation or by regulatory bodies;
- (d) the goods or services are available only from a particular supplier for reasons of standardisation and because of the need for compatibility with existing goods or services; or
- (e) in extreme cases, the exigencies of the OPCW do not permit the delay attendant upon calling for tenders, quotations or proposals.

Rule 10.6.07

Opening of tenders

- (a) The Director-General may, prior to the deadline for the submission of tenders specified in the invitation to tender, extend the deadline if it is not possible for one or more suppliers to submit their tenders by the deadline owing to any circumstances beyond their control. The Director-General shall promptly advise each supplier provided with an invitation to tender of such an extension, including notification of the new tender-opening time.
- (b) A tender-opening panel shall be established by the Director-General in a Financial Directive. Tenders shall be opened by the said panel at the time, or extension of such time, and the place specified in the invitation to tender, and an immediate record shall be made thereof.
- (c) A tender received after the deadline for the submission of tenders or the extension thereof shall not be opened, and shall be returned to the supplier that submitted it.

Rule 10.6.08
Award of contractual agreements

- (a) Following receipt and opening of tenders, quotations or proposals, they shall be evaluated both technically and commercially. The lowest technically acceptable tender, quotation or proposal shall be considered for award, taking into account other criteria, such as supplier's financial soundness, and the capacity of the supplier to deliver the goods, perform the services within the time required and provide the necessary maintenance. When the lowest technically acceptable tender, quotation or proposal is not selected for award of contractual agreement, a written record giving reasons for this shall be prepared. A comparative analysis of the technical and commercial evaluation shall also be kept on record.
- (b) Suppliers shall not be permitted to alter their tenders or quotations after the deadline for receipt.
- (c) When tenders, quotations or proposals relate to a group of items, the contractual agreement may be awarded to the supplier who has submitted the lowest aggregate tender, quotation or proposal.
- (d) Contractual agreements shall be awarded to the supplier who has submitted the lowest-priced and technically most acceptable tender, quotation or proposal, and provided that the other necessary criteria are met. Where the interests of the OPCW so require, all offers may be rejected. In that event, the responsible official authorised under Rule 10.6.01 shall determine whether new competitive tenders, quotations or proposals shall be invited. In the latter event the reasons for this shall be recorded in writing and shall be available to interested States Parties upon request. Upon request, unsuccessful bidders/offerors shall be provided with the reasons of rejection of their offer.
- (e) All contractual agreement awards shall be made available to States Parties on request.

Rule 10.6.09
Purchases to be made in writing

- (a) Contractual agreements for goods and services shall be established, as appropriate, for every purchase from a supplier in the aggregate amount of EUR 1,000 or more. Contractual agreements shall be in writing.
- (b) Contractual agreements shall specify:
 - (i) in the case of supplies or equipment, the exact description of the goods, the quantity required, the price of each article, the conditions of delivery and the terms of payment;
 - (ii) in the case of services, the nature of the services, the period covered, the conditions of fulfilment, the cost and the terms of payment.

- (c) The Director of Administration may waive the requirements of any part of this Financial Rule in certain cases, such as requests for partial deliveries of supplies for the maintenance of buildings, where one blanket purchase order might be issued covering a variety of items. In the event of such a waiver, a written record shall be established to ensure that:
- (i) the supplier and purchaser are in agreement as to what is being purchased;
 - (ii) an itemised record of sale and receipt is prepared at the time of delivery; and
 - (iii) payment is based on the itemised record of sale and receipt referred to in (ii) above.

Rule 10.6.10
Written findings

Each determination or decision required of an authorised officer by the provisions of these Rules shall be supported by the written findings of such officer. These written findings shall be placed in the appropriate case file maintained by the responsible office, and shall accompany the related obligating documents submitted for approval and recording in the accounts. The information to be kept on record documenting each tender or proposal and its outcome shall be established in a Financial Directive.

Rule 10.6.11
Interested parties

A Financial Directive shall include details on the information to be provided to interested parties upon request after the award of a contractual agreement.

ARTICLE 11
FINANCIAL REPORTING

Regulation 11.1

The Director-General shall submit annually financial statements prepared in accordance with the United Nations common accounting standards, comprising, for the financial period to which they relate:

- (a) a statement of the Director-General's responsibilities and approval of the financial statements;
- (b) a statement for the status of appropriations, including:
 - the original budget appropriations;
 - the appropriations as modified by any transfers of funds;
 - credits, if any, other than appropriations approved by the Conference of the States Parties;
 - the amounts charged against the appropriations and/or other credits; and
 - an unobligated balance of appropriations;

- (c) an income and expenditure account for all funds, where such funds include, amongst other things, the Regular Budget Fund, the Working Capital Fund and the Voluntary Fund for Assistance. The account(s) shall provide comparative figures for the financial period prior to that being reported on;
- (d) an assets and liabilities statement for all funds, such funds including, amongst other things, the Regular Budget Fund, the Working Capital Fund, and the Voluntary Fund for Assistance. The statement(s) shall include the comparative figures for the financial period prior to that being reported on;
- (e) a statement of changes in financial position (or cash flow statement);
- (f) a statement of significant accounting policies;
- (g) a statement on the investments held at 31 December;
- (h) such notes, other statements and schedules as are required to provide a fair presentation of the financial statements and the results of the OPCW's operations for the financial period; and
- (i) a statement of all losses.

Rule 11.1.01

Responsibility for maintaining the accounts

Acting on the advice of the Principal Financial Officer, the Director-General shall designate the staff members responsible for performing significant financial duties. On behalf of the Director-General, the Principal Financial Officer shall prescribe and maintain the financial records, review for the Director-General's approval all financial systems and the major financial procedures of the OPCW and ensure that these financial statements are properly implemented and carried out.

Rule 11.1.02

Preparation of financial statements

The financial statements for the financial period shall be prepared under the direction of the Principal Financial Officer as at 31 December of the financial period. The financial statements shall, after approval by the Director-General, be submitted to the External Auditor not later than three months following the end of the financial year, together with such statements as may be required.

Rule 11.1.03

Basis of accounting

The accounting records of the OPCW shall be maintained and financial statements prepared in accordance with the United Nations System Accounting Standards.

Rule 11.1.04
Subsidiary accounts

The Principal Financial Officer may establish subsidiary accounting records, including accountability records for non-expendable property and stocks of consumable supplies, which shall be subject to such control accounts as the Principal Financial Officer may deem necessary in the circumstances.

Rule 11.1.05
Retention and destruction of records

The Principal Financial Officer shall ensure that accounting and other financial and property records and all supporting documents are retained for five years or other period(s) as may be agreed with the External Auditor, after which, on the authority of the Director-General, such records and documents may be destroyed. The retention periods shall be spelled out in a Financial Directive.

Regulation 11.2

The financial statements enumerated in Regulation 11.1 shall constitute the core financial statements as submitted for, and subject to, examination by the External Auditor. The Conference of the States Parties or the Executive Council acting on its behalf may, from time to time, request the Director-General to submit additional financial or other information. Such information should be submitted in an informational annex accompanying, but not part of, the core financial statements.

Regulation 11.3

The OPCW's annual financial statements shall be presented in Euros. The underlying accounting records may, however, be kept in such currency or currencies, as the Director-General deems necessary. Accounting rates of exchange shall be determined by the Director-General according to the rates of exchange promulgated by the United Nations.

Rule 11.3.01
Currency of accounts

The accounts of the OPCW shall be maintained in Euros. Unless otherwise authorised, where cash is held in a currency other than the currency in which the accounts are kept, the amount shall be recorded both in local currency and the equivalent in Euros converted at the rate of exchange established under Rule 11.3.02.

Rule 11.3.02
Exchange of currencies

The Principal Financial Officer shall maintain a record of the operational rates of exchange between the Euro and other currencies as published by the United Nations which shall be used for the recording of all OPCW transactions. In accordance with Regulation 5.5, assessed contributions shall be paid in Euros.

Rule 11.3.03
Conversion of currencies

Where there is a conversion of currencies, the actual amounts obtained shall be taken into account; any difference between that amount and the amount which would have been obtained at the official rate of exchange shall be accounted for as a loss or gain on exchange.

Rule 11.3.04
Loss or gain on exchange on the closing of accounts

On the closing of the accounts for the financial period, the balance in the account for “loss or gain on exchange” shall be debited to the appropriate expenditure account if there is a net loss; in case of a net gain, the gain shall be credited to miscellaneous income.

Regulation 11.4

The financial statements shall be submitted by the Director-General to the External Auditor not later than 31 March following the end of the financial period to which they relate.

ARTICLE 12
INTERNAL OVERSIGHT

Regulation 12.1

The Director-General shall establish an internal oversight mechanism which includes internal audit. This mechanism will assist the Director-General in the management of the OPCW’s resources, through internal audit, inspection, evaluation, investigation and monitoring in order to enhance the efficiency, and economy of the operations of the OPCW. The internal oversight mechanism shall exercise operational independence in the conduct of its duties under the authority of the Director-General. The Head of the internal oversight mechanism may be removed by the Director-General only for cause and with the prior approval of the Executive Council.

Rule 12.1.01
The internal-oversight mechanism

The internal-oversight mechanism shall be a functional unit within the Technical Secretariat designed to carry out the functions of internal audit, inspection, evaluation and investigation.

Regulation 12.2

The purpose of internal oversight audits shall be to review, evaluate and report on the soundness, adequacy and application of systems, procedures and related internal controls. The audits shall, on a regular basis, address the following:

- (a) compliance - a review of financial transactions to determine whether they are in compliance with decisions of the Conference of the States Parties, these Regulations and any Rules and Directives issued hereunder, and the Staff Regulations, Rules and Directives;
- (b) economy and efficiency - an appraisal of the operational efficiency and economy with which the OPCW's financial, physical and human resources are utilised; and
- (c) effectiveness - a review of programmes and activities to compare programme delivery with the commitments set out in the programme narratives in the approved budget.

The Office of Internal Oversight shall also carry out oversight audits covering confidentiality and quality assurance. The latter shall be conducted in accordance with current ISO auditing standards.

Rule 12.2.01 Inspections and evaluation

Inspection, evaluation and monitoring are procedures to review the efficiency and effectiveness of the implementation of programmes and mandates of the OPCW, and to allow for corrective action, if needed. Such a mechanism shall give particular attention to the most effective way of accomplishing the aims of the programmes and mandates. The operational efficiency of the OPCW, including its internal system of security and confidentiality, shall be assessed annually, and a report thereon shall be submitted to the Conference of the States Parties through the Executive Council, along with any comments of the Director-General. An assessment of the analytical network, including the OPCW quality-assurance/quality-control programme for on-site analysis, the OPCW laboratory, together with the designated and other laboratories' performances shall likewise be submitted. Evaluation may also cover individual staff performance in instances where such performance has a major impact on the efficiency and effectiveness of a programme. The primary responsibility for monitoring rests with the management of the Technical Secretariat. The role of the Office of Internal Oversight as regards the monitoring function is to assist in improving it, initially through the issuance of policies and guidelines and routinely through regular assessments of the quality of management reports on monitoring activities.

Rule 12.2.02 Investigations

The mechanism may investigate alleged violations of OPCW Financial Regulations, Rules and Directives issued thereunder, and the relevant Staff Regulations, Rules and Directives. It may also conduct enquiries into issues of waste, fraud and mismanagement that come to its attention.

Regulation 12.3

The internal oversight mechanism shall have:

- (a) the operational independence, objectivity, and authority to conduct internal audits, inspections, evaluations, investigations and monitoring;
- (b) access to all records and officials of the OPCW relevant to the purposes listed in subparagraph 12.2 above;
- (c) the right, if necessary, to request the Director-General to instruct programme managers to provide such information or assistance as is reasonably required to conduct its work;
- (d) procedures in place that provide for: direct confidential access of staff members to the internal oversight mechanism for the purposes of suggesting improvements for programme delivery or for reporting perceived cases of misconduct; protection against repercussions; due process for all parties concerned; and fairness during any investigation; and
- (e) procedures for a prompt, effective follow-through on recommendations in, or derived from, its reports.

Rule 12.3.01

Operational independence

The internal-oversight mechanism shall have the operational independence to develop its own tasks and audit plans under the authority of the Director-General, consistent with the approved programme of work and budget. In addition, the Director-General has the right to request the internal-oversight mechanism to address specific issues and concerns within its mandate.

Rule 12.3.02

Protection of sources

The Director-General shall issue a Financial Directive establishing procedures to protect the identity of, and to prevent reprisals against, any staff member making a complaint or disclosing information to, or cooperating in any audit, investigation or inspection by, the internal-oversight mechanism. The Financial Directive shall also provide for procedures to protect individual rights, the anonymity of staff members, due process for all parties concerned, and fairness during any investigations. It shall provide further that falsely accused staff members are fully cleared and that disciplinary or other proceedings are initiated without undue delay in cases where the Director-General considers it justified.

Rule 12.3.03**Protection from disclosure to third parties**

The internal-oversight mechanism shall submit to the Director-General procedures which complement those prepared under Rule 12.3.02. The mechanism shall be responsible for safeguarding suggestions and reports it receives from unauthorised disclosure to third parties. It will also ensure that the identity of the staff members and others who have submitted reports to the mechanism is not disclosed, as provided for in the Financial Directive under Rule 12.3.02.

Rule 12.3.04**Implementation of recommendations**

Recommendations contained in the internal-audit, inspection and investigation reports prepared by the internal-oversight mechanism shall be submitted to the Director-General for appropriate action. An initial written response to all recommendations is due from the appropriate responsible official to the Director-General one month after formal receipt of the report with its accompanying recommendations. This response shall include information on the timing of implementation of the recommendations. In the event that the responsible official believes that any recommendation should not be implemented or should be modified, the reasons for this shall be provided in detail. When the Director-General has taken a final decision on the recommendation of the internal-oversight mechanism, the Director-General shall ensure that the relevant Head of Programme acts in an appropriate manner on this recommendation. Decisions shall be implemented without delay and compliance shall be evaluated by the internal-oversight mechanism in accordance with Rule 12.3.05.

Rule 12.3.05**Compliance implementation**

The internal-oversight mechanism shall establish procedures to track compliance and the implementation of recommendations originating from it and with relevant decisions by the Director-General. The mechanism shall also establish either a systematic review of responses to determine whether implementation is satisfactory, or, in the event that compliance is unsatisfactory and non-compliance is not sufficiently justified, a follow-through procedure, including a direct referral of the issue to the Director-General for resolution.

Regulation 12.4

Reports on each separate audit, inspection, evaluation, investigation and monitoring activity shall be submitted to the Director-General. For each report the relevant programme managers shall be afforded adequate opportunity to consider and comment upon the observations and draft recommendations. Copies of all reports and accompanying comments by the Director-General shall be provided to the External Auditor.

Rule 12.4.01 **Reports**

The internal-oversight mechanism shall provide a copy of the draft report to the Technical Secretariat element most directly concerned in the audit, inspection, evaluation or investigation. Following discussions and review with the programme managers, the report shall then be put into final form and be forwarded to the Director-General. Copies of all reports and accompanying comments by the Director-General shall be provided to the External Auditor. If requested, copies shall also be provided to the Advisory Body on Administrative and Financial Matters (in accordance with Article 15.1(f) of the Financial Regulations).

Regulation 12.5

For each calendar year the Head of internal oversight shall prepare a summary report on the internal oversight activities for that year including the status of implementation. This report shall be transmitted through the Executive Council to the Conference of the States Parties by the Director-General together with such comments as the Director-General and the Executive Council may deem appropriate.

Rule 12.5.01 **Summary report of the internal-oversight mechanism**

The summary report shall be an annual analytical and summary report on the internal-oversight activities of the internal-oversight mechanism of that year, including the status of implementation. The report may contain the following:

- (a) a description of the scope of the mechanism's activities;
- (b) a description of significant problems, abuses and deficiencies relating to the administration of a programme or operation disclosed during the period;
- (c) a description of all final recommendations for corrective action made by the internal-oversight mechanism during the reporting period relative to the significant problems, or deficiencies identified;
- (d) a description of all recommendations not approved by the Director-General and his/her reasons for not doing so;
- (e) identification of each significant recommendation in previous reports on which corrective action has not been completed;
- (f) a description and explanation of reasons for any significant revised management decision made during the reporting period;
- (g) information about any "significant management decision" not in accordance with policies, regulations or rules or not cost-efficient oriented;

- (h) a summary of any instance when information or assistance requested by the mechanism was refused; and
- (i) the value and cost savings or recovered amounts resulting from recommendations and corrective action.

Rule 12.5.02
Additional reports

Where the Head of internal oversight deems a matter to be of particular significance or urgency requiring the prompt attention of Member States, or where the Head of internal oversight wishes to bring any additional reports on significant internal-oversight or investigative findings to the attention of Member States, such reports shall be transmitted to the Executive Council or the Conference of the States Parties in accordance with Regulation 12.5.

Regulation 12.6

Internal oversight activities shall be conducted in accordance with best professional practice and, in the case of internal audits, in accordance with the auditing standards promulgated by the Institute of Internal Auditors.

ARTICLE 13
EXTERNAL AUDIT

Regulation 13.1

An External Auditor, who shall be the Auditor-General (or an officer holding an equivalent title) of a State Party, shall be appointed in the manner and for the period determined by the Conference of the States Parties and for a single period of not less than two years, but not exceeding six years.

Regulation 13.2

If the External Auditor ceases to hold office as Auditor-General in his own country, his appointment as External Auditor of the OPCW shall terminate forthwith and he shall be succeeded as External Auditor by the person who succeeds him as Auditor-General in his home country. The External Auditor may not otherwise be removed during the tenure of his appointment, except by the Conference of the States Parties.

Regulation 13.3

The External Auditor shall conduct annual audits of the OPCW's financial statements in accordance with the auditing standards promulgated by the International Organisation of Supreme Audit Institutions and the common auditing standards issued by the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomic Energy Agency. Such annual audits shall include "management" or "value for money" examinations, the results of which shall be included in the External Auditor's annual report. Subject to any special directions issued by the Executive Council or the Conference of the States Parties, the audit shall be conducted in conformity with the additional terms of reference set out in the Annex to these Regulations, which forms an integral part of these Regulations.

Regulation 13.4

The External Auditor may make observations with respect to the regularity and efficiency of the OPCW's financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the OPCW.

Regulation 13.5

The External Auditor shall be completely independent and shall be solely responsible for the conduct of audits.

Regulation 13.6

The Conference of the States Parties may request the External Auditor to perform special examinations and to issue separate reports on the results thereof. Acting under the authority of the Conference, the Executive Council may do likewise.

Regulation 13.7

The Director-General shall provide the External Auditor with the facilities he may require to perform audits.

Regulation 13.8

For the purpose of making local or special examinations or of reducing the costs of audits, the External Auditor may engage the services of any national Auditor-General (or officer holding an equivalent post), commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified to conduct audits.

Regulation 13.9

The External Auditor shall issue a report and opinion on his audits of the OPCW's financial statements, which shall include such information as he deems necessary in regard to matters referred to in Regulation 13.4 and in the additional terms of reference set forth in the Annex to these Regulations.

Regulation 13.10

The External Auditor shall transmit his report and opinion and the audited financial statements, in accordance with any directions given by the Conference of the States Parties, to the Executive Council. The Executive Council shall examine the audited financial statements and the External Auditor's report and opinion, and shall forward them to the Conference of the States Parties with such comments as it deems appropriate. The External Auditor's report and opinion and the audited financial statements shall be submitted to the Executive Council preferably not later than 31 May following the end of the financial period to which they relate.

Rule 13.10.01**Implementation of the recommendations of the External Auditor**

The Director-General shall report periodically to the Conference of the States Parties, through the Executive Council, on the implementation of the recommendations of the External Auditor as contained in the External Auditor's Report on the financial statements of the OPCW and as endorsed by the Conference of the States Parties.

Regulation 13.11

The External Auditor or his representative shall be present when the External Auditor's report and opinion is first considered by the Executive Council. In addition, the External Auditor or his representative may present his report and opinion to the Conference of the States Parties if he considers this necessary, or may be present during subsequent consideration of the External Auditor's report and opinion by the Executive Council or the Conference of the States Parties, if so requested by the Council or by the Conference of the States Parties.

ARTICLE 14**DELEGATION OF AUTHORITY****Regulation 14.1**

The Director-General shall establish a transparent and effective system of accountability and responsibility.

Regulation 14.2

The Director-General may delegate to other staff members of the OPCW such authority as he considers necessary for the efficient and effective implementation of these Regulations and any Rules and Directives issued hereunder. Such delegations shall be communicated and documented in Financial Directives issued under the Financial Rules.

Rule 14.2.01 Delegation of authority

The Director-General may delegate his authority to implement the Financial Regulations, Rules and Directives, subject to any limitations set forth elsewhere in these Rules. Such delegations of authority shall be made in writing. Staff members to whom the Director-General has delegated authority for the implementation of the Financial Regulations, Rules and Directives are responsible for the correct and proper exercise of such authority. Any staff member who takes any action contrary to the Financial Regulations or Rules and Directives issued in connection therewith may be subject to disciplinary proceedings in accordance with the Staff Regulations and Rules. Delegations of authority to other staff members does not relieve the Director-General from his overall responsibility.

ARTICLE 15 ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS

Regulation 15.1

The Executive Council may establish a body to advise it on administrative and financial matters. This body shall consist of experts of recognised standing from States Parties and shall:

- (a) examine and report on the draft programme and budget submitted by the Director-General under Regulation 3.4;
- (b) examine and report on the preliminary estimates submitted by the Director-General under Regulation 3.7;
- (c) examine and report on any supplementary budgetary proposals submitted by the Director-General under Regulation 3.5;
- (d) when feasible, consider and comment on any budgetary transfers submitted by the Director-General under Regulations 4.5 and 4.6;
- (e) if appropriate examine and comment on the status of the OPCW's investments, submitted by the Director-General under Regulation 9.4;
- (f) where appropriate, examine and comment on the internal-oversight/audit reports;

- (g) examine and report on the OPCW's audited financial statements, including the External Auditor's report and opinion thereon;
- (h) examine and report on the financial regulations, rules and amendments thereto, as submitted by the Director-General; and
- (i) advise and comment on any other administrative and financial matters when appropriate.

ARTICLE 16 GENERAL PROVISIONS

Regulation 16.1

These Regulations shall be effective as of the date of their approval by the Conference of the States Parties and may be amended only by the Conference. Any proposed amendments to these Regulations, whether initiated by a State Party or the Director-General, shall be submitted by the Director-General, through the Executive Council, to the Conference of the States Parties.

Regulation 16.2

The Director-General shall prepare Financial Rules to implement and enforce these Regulations. The Financial Rules, and any subsequent amendments thereto, shall be submitted to the Executive Council for approval.

Rule 16.2.01 Effective date of the Financial Rules

These Rules shall be effective as of the date of their approval by the Executive Council.

Regulation 16.3

The Director-General shall issue such Financial Directives as he considers necessary to assist in the interpretation and application of the Financial Regulations and Rules.

Annex

ADDITIONAL TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT

1. The External Auditor shall examine and check the OPCW's books of accounts and records, including the books and records of all trust and special funds, as he deems necessary to enable him to report whether:
 - (a) the OPCW's financial statements are in accord with its books and records;
 - (b) the financial transactions reflected in the OPCW's financial statements complied with these Regulations and any Rules and Directives issued hereunder, as well as with budgetary provisions and other applicable directives;
 - (c) the securities and monies on deposit and on hand have been verified by certificates received directly from the OPCW's depositories or by actual count;
 - (d) the OPCW's internal controls, including the internal audit, are adequate in the light of the reliance placed thereon; and
 - (e) procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditor shall be the sole judge of whether to accept, in whole or in part, the Director-General's certifications and representations and may make such detailed examination and verification as he chooses of all financial records, including those relating to supplies and equipment.
3. The External Auditor and his staff shall have free access at all convenient times to all books, records and other documentation which are necessary for the performance of an audit. The External Auditor and his staff shall respect the confidential nature of any classified information provided and shall not make use of it except in direct connection with the performance of audits. The External Auditor may draw to the attention of the Conference of the States Parties any denial of information classified as confidential which was required for an audit. Without prejudice to his duty to report to the Conference of the States Parties, the External Auditor and his staff shall comply with the OPCW Policy on Confidentiality.
4. The External Auditor shall not have the authority to disallow items in the OPCW's accounts. However, the External Auditor shall draw to the Director-General's attention for appropriate action any transaction concerning whose legality or propriety the External Auditor entertains any doubt. Audit objections to transactions shall be immediately communicated to the Director-General.
5. The External Auditor shall express an opinion on the audited financial statements which shall be signed and dated. Subject to any qualifications that the External

Auditor might wish to make in his opinion, the structure and content of the opinion shall include the following:

(a) Title

“Opinion of the External Auditor on the Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the Period ended 31 December”

(b) Addressee:

“To the Conference of the States Parties”

(c) Text of the Opinion

Identification of the financial statements (Paragraph One)

“I have audited the following/appended financial statements, comprising statements (I) to (IX), schedules (1) to (4), and supporting notes of the Organisation for the Prohibition of Chemical Weapons (hereinafter “the OPCW”) for the financial period ended 31 December”

Statement of Responsibilities (Paragraph Two)

“The Director-General, in accordance with the OPCW’s Financial Regulations, is responsible for preparing the financial statements. My responsibility, under Article 13 of the Financial Regulations, is to express an opinion on these financial statements based on my audit.”

Basis of Opinion (Paragraph Three)

“I conducted my audit in accordance with the auditing standards of the International Organisation of Supreme Audit Institutions and the Common Auditing Standards of the Panel of External Auditors of the United Nations, specialised agencies and the International Atomic Energy Agency. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director-General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.”

Opinion (Paragraph Four)

“As a result of my audit, I am of the opinion that the financial statements present fairly the financial position as at 31 December and that they were prepared in accordance with the OPCW’s stated accounting policies (applied

on a basis consistent with the previous period); and that the transactions were in accordance with the Financial Regulations and legislative authority.”

Report Reference (Paragraph Five)

“In accordance with Article 13 of the Financial Regulations, I have also prepared a (long-form) report on the OPCW’s financial statements.”; or, where there is no long-form report:

“I have no observations to report on these financial statements.”

6. The External Auditor shall report in writing to the Conference of the States Parties on the financial operations of the period. The External Auditor’s report should include:
 - (a) a description of the nature and scope of his examination and any restrictions on it;
 - (b) any matters affecting the completeness or accuracy of the accounts, including, where appropriate:
 - (i) information necessary for the correct interpretation of the accounts;
 - (ii) any amounts which ought to have been received but which have not been included in the accounts;
 - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - (iv) expenditures not properly substantiated; and
 - (v) the extent to which the presentation of statements deviates materially from internationally accepted accounting principles applied on a consistent basis;
 - (c) other matters that should be brought to the notice of the Conference of the States Parties including:
 - (i) cases of fraud or suspected fraud;
 - (ii) wasteful or improper expenditure of the OPCW’s money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) expenditure likely to commit the OPCW to further outlay on a large scale;
 - (iv) any defect in the general system or detailed regulations and/or rules governing the control of receipts and disbursements or of supplies and equipment;

- (v) expenditure not in accordance with the intention of the OPCW after making allowance for duly authorised transfers within the budget;
 - (vi) expenditure in excess of appropriations as amended by duly authorised transfers within the budget; and
 - (vii) expenditure not in conformity with the authority governing it;
- (d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records; and
 - (e) transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period with respect to which the External Auditor believes the OPCW should be informed.
7. The External Auditor may make such observations on the findings resulting from his audit and such comments on the Director-General's financial report as he deems appropriate to the Conference of the States Parties, its subsidiary organs or the Director-General.
 8. Whenever the scope of the External Auditor's audit is restricted or he is unable to obtain sufficient evidence, he shall note the matter in his opinion and report, making clear in the report the reasons for his comments, and the effect of any restrictions or lack of evidence on the financial position and the financial transactions recorded.
 9. The External Auditor shall not include any criticism in his opinion and report unless he has first afforded the Director-General adequate opportunity to explain the matter in question.
 10. The External Auditor is not required to mention any matter referred to in the foregoing provisions which, in his opinion, is neither material to the financial position presented by the annual financial statements nor significant to the financial affairs of the OPCW.