



**NOTE BY THE DIRECTOR-GENERAL**

**REQUEST FOR NOMINATIONS FOR EXTERNAL AUDITOR OF THE OPCW**

1. The Director-General hereby invites nominations from all States Parties for the appointment of an External Auditor to be responsible for the audit of the financial statements of the OPCW and the Provident Fund, of its financial operations, and of other matters relevant to the efficient and effective administration of the OPCW with effect from the 2018 financial period.
2. This appointment will follow the completion of the three-year term (2015 – 2017 inclusive) of appointment of Sir Amyas Morse, Comptroller and Auditor General of the National Audit Office of the United Kingdom of Great Britain and Northern Ireland, as External Auditor of the OPCW.
3. According to Regulation 13.1 of the OPCW Financial Regulations (C-1/DEC.3/Rev.1, dated 2 December 2004, and amended by C-8/DEC.4, dated 22 October 2003, C-9/DEC.11 and C-9/DEC.12, both dated 2 December 2004, C-11/DEC.6, dated 7 December 2006, C-15/DEC.5, dated 1 December 2010, C-16/DEC.7, dated 30 November 2011, and C-17/DEC.6 dated 27 November 2012) (see Annex 2 for the entire Article), the External Auditor of the OPCW “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”. The Conference of the States Parties (hereinafter “the Conference”) will appoint the next External Auditor at its Twenty-Second Session, in November/December 2017.
4. States Parties are invited to nominate candidates whom they wish the Conference at its Twenty-Second Session to consider for appointment as the External Auditor of the OPCW.
5. Nominations from States Parties should include the following information:
  - (a) curricula vitae for the nominee and of the prospective members of the audit team, as well as details both of the national and international activities of the Auditor-General’s office, and of the audit specialties that could benefit the OPCW;
  - (b) details of the approach the nominee would take to auditing the annual financial statements of the OPCW and the Provident Fund and administrative activities, including:
    - (i) the proposed scope of audits;
    - (ii) the method that would be applied in carrying them out;



- (iii) what manner of risk assessment would attend the conduct of audits;
    - (iv) what professional standards would be applied to audits; and
    - (v) other details on how the audit would be carried out, including as regards the extent to which the nominee would expect to be present at OPCW headquarters;
  - (c) an itemisation, in euros, of proposed fees, including the number of audit days the nominee expects to spend conducting the audit, audit fees, and travel and accommodation expenses, under the terms outlined in paragraph 8 below.
6. The assessment of nominations from States Parties will be based, inter alia, on the following factors:
- (a) the extent to which the services proposed meet the requirements and criteria outlined in this Note;
  - (b) past performance and standards of achievement in auditing the financial statements and administrative operations of national and international organisations similar to the OPCW;
  - (c) the experience and capacities of the nominee and of the employees to be engaged in auditing the OPCW; and
  - (d) what fees are proposed.
7. The qualifications and services desired, and the full text of Article 13 of the Financial Regulations of the OPCW relevant to the appointment of an External Auditor, as well as the Annex to the Article, “Additional Terms of Reference Governing External Audit”, are included as Annexes to this Note.
8. In addition to the audit fees proper, the OPCW will also cover reasonable costs for travel from the city in which the Auditor-General’s office is located to The Hague, and accommodation in The Hague. Costs for the latter will be based on the United Nations scale for a daily subsistence allowance. The Technical Secretariat (hereinafter “the Secretariat”) will provide secretarial and other support services. The current daily subsistence allowance for The Hague is EUR 275 for members of the audit team, and EUR 303 for the Auditor-General.
9. As noted above, each nomination should include these additional costs in the proposed fees as referred to in paragraph 5 (c) above, along with the audit fees proper, to ensure that all nominations are comparable as regards the itemisation of costs in the table below. The Secretariat will pay the total costs on an annual basis.

<b>Year</b>	<b>Audit Days</b>	<b>Audit Fees</b>	<b>Travel and Subsistence Costs</b>	<b>Total Costs</b>
2018				
2019				
2020*				

\* Minimum period is two years.

10. Nominations should be submitted in a sealed envelope to the Director-General as early as possible, and in any case no later than 31 July 2017, in order to allow sufficient time for the Secretariat to prepare a comparative summary of nominations for consideration by the Executive Council at its Eighty-Sixth Session, in October 2017, and a decision by the Conference at its Twenty-Second Session, in November/December 2017.
11. The Budget and Finance Branch of the Secretariat is available to provide any further information or clarification that may be required.

Annexes:

- Annex 1: Qualifications and Services Desired for Nominated External Auditors of the OPCW
- Annex 2: Article 13 of the OPCW Financial Regulations
- Annex 3: Additional Terms of Reference Governing External Audit

## **Annex 1**

### **QUALIFICATIONS AND SERVICES DESIRED FOR NOMINATED EXTERNAL AUDITORS OF THE OPCW**

#### **Qualifications**

1. The successful candidate must be the Auditor-General (or an officer holding an equivalent title) of a State Party to the Chemical Weapons Convention.
2. Each nominee must be available for a period of two to six years.

#### **Services**

3. The External Auditor will:
  - (a) audit the Financial Statements of the OPCW (comprising the statement of financial position, statement of financial performance, statement of changes in net assets/equity, cash flow statement, statement of comparison of budget and actual amounts, and notes) and the Provident Fund of the OPCW, in accordance with Article 13 of the OPCW Financial Regulations (C-17/DEC.6), and the Terms of Reference Governing External Audit, which are annexed hereto; and
  - (b) evaluate the appropriateness of the accounting policies used by the OPCW and the reasonableness of the accounting estimates and disclosures contained in its Financial Statements.
4. The External Auditor's report and opinion should be accompanied by a long-form report setting out the findings, observations, and recommendations concerning any material weaknesses in the design or implementation of internal controls.
5. The External Auditor's recommendations should focus on issues that affect the OPCW's performance, such as the accuracy of information, operational effectiveness and efficiency, and organisational management.

**Annex 2**

**ARTICLE 13 OF THE OPCW FINANCIAL REGULATIONS<sup>1</sup>**

**ARTICLE 13  
EXTERNAL AUDIT**

- 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.
- 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.
- 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 (INTOSAI) and other generally accepted international auditing standards. 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.
- 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.
- 13.5 The External Auditor shall be completely independent and shall be solely responsible for the conduct of audits.
- 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.
- 13.7 The Director-General shall provide the External Auditor with the facilities he may require to perform audits.
- 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.

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<sup>1</sup> This Annex is excerpted from C-15/DEC.5, with amendments as referred to in EC-66/DG.4/Rev.1 C-16/DG.8/Rev.1, dated 14 September 2011.

- 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.
- 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.
- 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.

### Annex 3

#### **ADDITIONAL TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT<sup>2</sup>**

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. The form and content of the External Auditor's opinion shall follow the audit in Financial Regulation 13.3.

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<sup>2</sup> This Annex appears as the Annex to C-15/DEC.5, with amendments as referred to in C-16/DEC.7, and is reproduced here for ease of reference.

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.

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