



OPCW

Conference of the States Parties

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DECISION

OPCW FINANCIAL REGULATIONS

The Conference of the States Parties,

Recalling that the Commission, in PC-XIII/18, paragraph 6.2, adopted the Draft Financial Regulations of the Organisation for the Prohibition of Chemical Weapons (“OPCW Financial Regulations”), as contained in PC-XIII/A/2 and Corr. 1,

Recalling further that the OPCW Financial Regulations have to be adopted by the Conference before the Executive Council can consider the Financial Rules of the Organisation for the Prohibition of Chemical Weapons,

Bearing in mind that the Commission recommended in paragraph 31.3 of its Final Report that the Conference adopt the above-mentioned Draft OPCW Financial Regulations,

Hereby:

Adopts the OPCW Financial Regulations annexed hereto.*

Annex:

Financial Regulations of the Organisation for the Prohibition of Chemical Weapons

* The OPCW Financial Regulations were amended by the Conference of the States Parties at its Eighth (C-8/DEC.4, dated 22 October 2003), Ninth (C-9/DEC.11 and C-9/DEC.12, both dated 2 December 2004), Eleventh (C-11/DEC.6, dated 7 December 2006), Fifteenth (C-15/DEC.5, dated 1 December 2010), Sixteenth (C-16/DEC.7, dated 30 November 2011), Seventeenth (C-17/DEC.6, dated 27 November 2012), Twenty-Second (C-22/DEC.12 dated 30 November 2017), and Twenty-Fifth (C-25/DEC.6, dated 30 November 2020) Sessions. All of these amendments have been incorporated into the text of the OPCW Financial Regulations annexed to this revised decision, which supersedes all previous versions.



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Annex

FINANCIAL REGULATIONS OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

ARTICLE 1 APPLICABILITY

- 1.1 These Regulations shall govern the financial administration of the Organisation for the Prohibition of Chemical Weapons, hereafter called the OPCW.

ARTICLE 2 DEFINITIONS

- 2.1 The Programme for the Activities of the OPCW shall be established for two consecutive calendar years, starting with an even calendar year (the “programme biennium”).
- 2.2 The OPCW's financial period for both budgetary and financial accounting shall be one calendar year (the “financial year”).
- 2.3 For the purpose of these Financial Regulations and any Financial Rules and Directives issued hereunder, the definitions set out below shall apply.

Accrual basis shall mean the basis of accounting under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognised in the financial statements of the financial years to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Advisory Body on Administrative and Financial Matters (ABAF) shall mean a body established by the Executive Council to advise it on administrative and financial matters. This body shall consist of experts of recognised standing from States Parties, with functions as specified in Regulation 15.1 of the Financial Regulations and Rules.

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 ensuring that required 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 payment has not previously been made; and that the supporting documents do not have irregularities that might indicate that the payment is not properly due. The Approving Officer can never be a Certifying Officer.

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 year 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.

Budgetary Accounting shall mean the recording and reporting of financial information on a modified cash basis, the same basis as that followed for appropriations for the regular budget or for other funds governed by other agreements, in a manner that is consistent with the Financial Regulations and Rules, with administrative directives, and with any other instructions as may be issued by or on behalf of the Director-General for their administration.

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

Cash Deficit shall mean the excess of cash disbursements over cash receipts for a given financial year.

Certifying Officer 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 or subprogramme activities as are required under the Convention, and as set out in the approved programme and budget. The Certifying Officer shall be responsible for examining all obligations proposed by requestors 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.

Commitment shall mean entering into a contractual agreement involving a liability against the resources, for which expenditure authority has 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.

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 year.

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 year.¹

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.

Financial Accounting shall mean the recording and reporting of financial information on an accrual basis, in accordance with the International Public Sector Accounting Standards, and all definitions shall be in accordance with those found in the most recent version of the International Federation of Accountants' Handbook of International Public Sector Accounting Pronouncements.

Financial Year shall mean the calendar year which is considered as the OPCW's financial period for both budgetary and financial accounting.

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

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 (i.e. petty cash).

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.

¹

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.

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

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 administrative 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, in particular Rules 1.1.02 and 11.1.01.

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 programme biennium.

Programme Biennium shall mean the period of two consecutive financial years, starting with an even calendar year for which the Programme and Budget shall be established.

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.

Revised Programme and Budget shall mean that document which contains, for the second year of the biennium, any changes to the OPCW's activities, objectives, and aims—together with the resource requirements (i.e. financial and preliminary estimates)—as initially contained in the approved Programme and Budget.

Segregation of Duties shall mean the principle of internal control according to which no personnel should be given responsibility for more than one related function, unless adequate compensating controls have been approved by the Principal Financial Officer.

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 by the Conference of the States Parties in accordance with Regulation 6.9.

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.

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 subprogramme within a budget programme offset by decreasing by the same total amount another budget chapter, budget programme or budget subprogramme 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.

ARTICLE 3 PROGRAMME AND BUDGET

- 3.1 The Director-General shall prepare a draft programme and budget for the programme biennium, which is comprised of two consecutive financial years starting with an even calendar year.
- 3.2 The draft budget shall cover income and expenditure for the financial year to which such income and expenditure relate. The budget shall be presented in Euros.
- 3.3
 - (a) The Director-General shall prepare and submit to the Executive Council in every second year of a programme biennium the draft programme and budget for the next biennium.
 - (b) The Director-General shall prepare and submit to the Executive Council in every first year of a programme biennium the draft revised programme and budget for the second year of the biennium.
 - (c) The Director-General shall also prepare and submit such draft decisions as he or she deems necessary or as the Executive Council or the Conference of the States Parties may require.
- 3.4 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 subprogrammes. 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 set out in the relevant administrative directive.

- 3.5 (a) The Executive Council shall consider and submit to the Conference of the States Parties the draft programme and budget of the Organisation for the biennium or the draft revised programme and budget for the second year of the biennium, as applicable.
- (b) The Executive Council shall consider and submit to the Conference of the States Parties in every second year of a programme biennium the draft programme and budget containing the OPCW's activities, objectives, and aims—together with the resource requirements—for the next biennium.
- (c) The Executive Council shall consider and submit to the Conference of the States Parties in every first year of a programme biennium the draft revised programme and budget which contains, for the second year of the biennium, any proposed changes to the OPCW's activities, objectives, and aims—together with the resource requirements—as initially contained in the approved programme and budget.
- (d) The submission of the draft programme and budget or the draft revised programme and budget, as applicable, 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 these documents are to be considered. These documents 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 either the draft programme and budget or the draft revised programme and budget is to be considered.
- 3.6 The Director-General may, in exceptional cases, submit supplementary budgetary proposals for the current financial year 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.
- 3.7 The Conference of the States Parties shall:
- (a) consider and adopt at its regular session the programme and budget of the OPCW or the revised programme and budget of the OPCW, as applicable, 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 year to which they relate.
- 3.8 The draft programme and budget submitted to the Executive Council and to the Conference of the States Parties under Regulation 3.5 shall be accompanied by corresponding financial estimates for the first year of the biennium as well as the preliminary estimates for the second year of the biennium, while the draft revised programme and budget shall be accompanied by changes to the Organisation's programme for the second year of the biennium and corresponding financial estimates.

- 3.9 The draft budget, financial estimates, and preliminary estimates submitted to the Executive Council under Regulations 3.5 and 3.8 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

- 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.
- 4.2 Appropriations shall be available for obligation during the financial year for which they were approved, in accordance with the provisions of the budget appropriations decision. However, any unobligated balance of the appropriations for the first financial year of the programme biennium shall be carried over and made available for obligation until the end of the second financial year of the programme biennium.
- 4.3 Appropriations shall remain available for the twelve months following the end of the financial year to which they relate, or in case of carry-over pursuant to Regulation 4.2, following the end of the financial year into which the appropriations were carried over. Obligated balances of appropriations shall remain available to the extent that they are required to liquidate any outstanding legal obligation of that financial year.
- 4.4 At the end of the periods of availability referred to in Regulation 4.3, the remaining balance of any appropriations retained shall lapse. Any unliquidated obligations of the financial year 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 year.
- 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.
- 4.6 Subject to any provisions set out in the programme budget appropriations resolution, the Director-General may transfer appropriated funds between subprogrammes within a budget programme. The total of all such transfers shall not exceed 15 percent of the original appropriation for the budget subprogramme 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.

- 4.7 The Director-General shall prudently manage the appropriations voted for a financial year to ensure that expenditures can be met from the funds available for that year, 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.
- 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.
- 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.
- 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.
- 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 years, 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 annexed to the budget document(s) submitted to the Conference of the States Parties for approval on their first occurrence. In the following periods, they shall be recorded in a table annexed to the budget document(s) submitted to the Conference of the States Parties.

- 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.

ARTICLE 5

CONTRIBUTIONS AND ADVANCES

- 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.

- 5.2 The assessed contributions of States Parties shall be assessed for each financial year, 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 year with respect to which the assessment of contributions is being made;
 - (c) estimated miscellaneous income for the financial year 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.
- 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.
- 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 year 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.
- 5.5 Contributions to the budget and advances to the Working Capital Fund shall be assessed and paid in Euros.
- 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.

- 5.7 New States Parties shall be required to make an assessed contribution to the budget for the financial year 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 year in which it joins the OPCW shall be based on the number of full months remaining in the financial year 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.
- 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.
- 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

- 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 year, a future financial year, or are arrears from a previous financial year, 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.
- 6.2 At the end of each financial year the provisional cash surplus or deficit for the financial year 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 year from States Parties;
and
 - miscellaneous income received during the financial year;
 - (b) charges:
 - all disbursements against the appropriation for that financial year;
 - provisions for unliquidated obligations to be charged against the appropriations for that financial year;

- transfers to special funds as authorised by the Conference of the States Parties; and
- provisions for unobligated balances of appropriations carried over from the first financial year to the second financial year of the programme biennium in accordance with Regulation 4.2.

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

6.3 Final cash surplus or deficit:

- (a) at the end of the twelve-month period referred to in Regulation 6.2, the final cash surplus or deficit for the financial year shall be determined by crediting to the provisional cash surplus or deficit:
 - any arrears of prior years' contributions received during that period;
 - any savings from the provisions made for unliquidated obligations and any provisions for carried over unobligated balances of appropriations pursuant to Regulation 6.2(b); and
 - any receipts of miscellaneous income relating to prior years;
- (b) Charging to the provisional surplus or deficit:
 - The cash deficit, if any, of the financial year for which the cash surplus or deficit is determined.
- (c) 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 year to which the surplus relates. The allocation of a final cash deficit will be deferred until a final cash surplus is established in subsequent financial years. The Conference of the States Parties may defer the allocation of the cash surplus if the surplus is required to finance a temporary cash shortage of the Regular Budget Fund; and
- (d) the individual allocations to those States Parties which have paid their assessed contributions in full for the financial year to which the surplus relates shall be applied to liquidate, in the following order:
 - 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 year.

The allocations to the remaining Member States shall be so applied after their arrears of assessed contributions for the financial year to which the surplus relates have been liquidated in full.

- 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 year, 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.
- 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 financial 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.
- 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 year which follows the year in which they are made.
- 6.7 Income derived from Working Capital Fund investments shall be credited to miscellaneous income.
- 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 or she 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.
- 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.
- 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.

ARTICLE 7 OTHER INCOME

- 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 year;
 - (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.
- 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.
- 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.
- 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.
- 7.5 The accounting policy for determining the monetary value of voluntary contributions in kind shall be determined by the Executive Council, in accordance with Financial Regulation 11.1 and Financial Rule 11.1.03.

ARTICLE 8 CUSTODY OF FUNDS

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

ARTICLE 9 INVESTMENTS

- 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.

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

ARTICLE 10 INTERNAL CONTROL

- 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; segregation of duties; the system for delegation of authority; and the proper custody of the OPCW's physical assets;
 - (b) maintain necessary accounting records, in accordance with Financial Regulation 11.1 and Financial Rule 11.1.03, and in sufficient detail to form the basis of the OPCW's financial statements;
 - (c) maintain separate accounting records, for both budgetary and financial accounting of the General Fund, whereby financial accounts shall be in accordance with Financial Regulation 11.1 and Financial Rule 11.1.03;
 - (d) maintain separate financial accounting records for all trust funds, special funds, and the Voluntary Fund for Assistance, in accordance with Financial Regulation 11.1 and Financial Rule 11.1.03;
 - (e) cause all disbursements to be made on the basis of supporting documentation that ensure that the services or goods have been received and that payment has not previously been made;
 - (f) designate a strictly limited number of officers who may receive monies, incur obligations and make payments on behalf of the OPCW; and
 - (g) 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.

- 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.
- 10.3 No obligations shall be incurred until allotments or other appropriate authorisations have been made in writing by the Director-General.
- 10.4 The Director-General may make such *ex gratia* payments as he or she 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.
- 10.5 The Director-General or other delegated authority in accordance with the relevant administrative directive 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 or other delegated authority in accordance with the relevant administrative directive shall, after full investigation and acting on his or her 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). The amount up to which the Director-General may authorise such write-offs shall be set out in the relevant administrative directive.

For arrears of assessed contributions and the payment of verification costs under Articles IV and V of the Convention, the Director-General or other delegated authority in accordance with the relevant administrative directive shall, after a full investigation and for the purposes of IPSAS-compliant reporting, write down the amounts that are outstanding.

This write-down in no way constitutes a legal discharge of the arrears to the OPCW. Only the Conference of the States Parties, on the recommendation of the Executive Council, will have the authority to legally discharge Member States from the arrears of assessed contributions and from verification costs that are outstanding.

A statement of all write-offs and write-downs during each financial year shall be submitted to the External Auditor as part of the financial statements prepared under Regulation 11.1.

- 10.6 General principles: Procurement functions include all actions necessary for the acquisition, by purchase, rental or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the OPCW:
- (a) best value for money;
 - (b) sustainability;
 - (c) fairness, integrity, and transparency;

- (d) effective international competition; and
- (e) the interests of the OPCW.

ARTICLE 11 FINANCIAL REPORTING

11.1 The Director-General shall submit annually financial statements prepared in accordance with the International Public Sector Accounting Standards for the financial year to which they relate.

The financial statements and the notes to the financial statements, including significant accounting policies, shall include 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 year prior to that being reported on.

In addition, the Director-General shall submit the following information:

- (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) a statement on the investments held at 31 December;
- (d) 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 year; and
- (e) a statement of all losses.

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.

- 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.
- 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 year to which they relate.

ARTICLE 12 INTERNAL OVERSIGHT

- 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.
- 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.

- 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 Division Directors to provide such information or assistance as is reasonably required to conduct the work of the OPCW;
 - (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.
- 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 Division Director 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.
- 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.
- 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

- 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 or her appointment as External Auditor of the OPCW shall terminate forthwith and he or she shall be succeeded as External Auditor by the person who succeeds him or her as Auditor-General in his or her home country. The External Auditor may not otherwise be removed during the tenure of his or her 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 or she 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.
- 13.9 The External Auditor shall issue a report and opinion on his or her audits of the OPCW's financial statements, which shall include such information as he or she 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 or her 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 year to which they relate.
- 13.11 The External Auditor or his or her 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 or her representative may present his or her report and opinion to the Conference of the States Parties if he or she 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

- 14.1 The Director-General shall establish a transparent and effective system of accountability and responsibility.
- 14.2 The Director-General may delegate to other staff members of the OPCW such authority as he or she 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 the relevant administrative directives issued under the Financial Rules.

ARTICLE 15
ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS

- 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 for the next biennium and the draft revised programme and budget for the second year of the biennium submitted by the Director-General under Regulation 3.5;
 - (b) examine and report on the financial and preliminary estimates submitted by the Director-General under Regulation 3.8;
 - (c) examine and report on any supplementary budgetary proposals submitted by the Director-General under Regulation 3.6;
 - (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

- 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.
- 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.
- 16.3 The Director-General shall issue such administrative directives as he or she 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 or she deems necessary to enable him or her 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 or she chooses of all financial records, including those relating to supplies and equipment.
3. The External Auditor and his or her 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 or her 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 or her duty to report to the Conference of the States Parties, the External Auditor and his or her 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.

6. The External Auditor shall report in writing to the Conference of the States Parties on the financial operations of the financial year under review. The External Auditor's report should include:
- (a) a description of the nature and scope of his or her 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 year concerning which further information has been obtained or transactions in a later financial year 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 or her audit and such comments on the Director-General's financial report as he or she 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 or she is unable to obtain sufficient evidence, he or she shall note the matter in his or her opinion and report, making clear in the report the reasons for his or her 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 or her opinion and report unless he or she 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 or her opinion, is neither material to the financial position presented by the annual financial statements nor significant to the financial affairs of the OPCW.