



OPCW

Conference of the States Parties

Ninth Session
29 November – 2 December 2004

C-9/DEC.11
2 December 2004
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DECISION

AMENDMENTS TO THE FINANCIAL REGULATIONS OF THE OPCW

The Conference of the States Parties,

Recalling the decisions it took at its First and Eighth Sessions, adopting and amending, respectively, the Financial Regulations of the OPCW (C-I/DEC.3, dated 14 May 1997, and C-8/DEC.4, dated 22 October 2003);

Also recalling Financial Regulation 16.1, which states 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”;

Taking into account the report of the Eleventh Session of the Advisory Body on Administrative and Financial Matters (ABAF), which contained its recommendations (ABAF-XI/1, dated 31 October 2001);

Also taking into account the report of the Thirteenth Session of the ABAF (ABAF-13/1, dated 29 August 2002) in which it reiterated the recommendations it had made during its Eleventh Session; and

Noting the decision of the Executive Council at its Thirty-Seventh Session (EC-37/DEC.12, dated 2 July 2004) recommending to the Conference of the States Parties that it adopt the amendments to the Financial Regulations annexed thereto, and which are also annexed to the present document;

Hereby:

Approves the amendments to the Financial Regulations of the OPCW annexed hereto.

Annex: Amendments to the Financial Regulations of the OPCW



Annex

AMENDMENTS TO THE FINANCIAL REGULATIONS OF THE OPCW

Regulation	Previous Text	New Text
Regulation 2.2	<p>Arrears of Assessed Contributions shall mean contributions unpaid by the date on which they are due in accordance with Regulation 5.4.</p> <p>Budget Section shall mean a subsidiary of the budget programme, grouping together activities with common detailed objectives in the programme and budget.</p> <p>Contingency Margin shall mean that portion of the budget appropriations for which the Director-General shall not authorise expenditures until it is determined that the contributions actually received are adequate to meet the full needs of the appropriations in a given financial period.</p> <p>Contributions shall mean those amounts assessed on States Parties to finance the cost of the OPCW's activities for a given financial period.</p>	<p>Arrears of Contributions shall mean contributions unpaid by the date on which they are due in accordance with Regulation 5.4.</p> <p>Budget Sub-programme shall mean a subsidiary of the budget programme, grouping together activities with common detailed objectives in the programme and budget.</p> <p>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.</p> <p>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.¹</p>

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.

Regulation	Previous Text	New Text
	Object of Expenditure shall mean a component of expenditure comprising, amongst other things, the following: salaries; common staff costs; overtime; contractual services; consultants' costs; temporary assistance; general operating expenses; data processing equipment; inspection equipment; and laboratory supplies.	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.
	Working Capital Fund shall mean a fund designed to meet short-term liquidity problems during a given financial period.	Working Capital Fund shall mean a fund designed to meet short-term liquidity problems.
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 providing a financial ceiling for that financial period.	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.
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 actual contributions received, the availability of cash balances and the application to the approved appropriations of a contingency margin as provided for in the Financial Rules.	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.

Regulation	Previous Text	New Text
Regulation 4.11	<p>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:</p> <ul style="list-style-type: none"> (a) administrative requirements of a continuing nature, (b) contracts where longer lead times are required, or (c) purchases for which payment is to be made over several years. 	<p>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 authorized in the current budget and concern:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
Regulation 5.1	<p>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 and 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.</p>	<p>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.</p>

Regulation	Previous Text	New Text
Regulation 5.2	<p>The contributions of States Parties shall be assessed for each financial period, taking into account adjustments for:</p> <ul style="list-style-type: none"> (a) supplementary appropriations for which States Parties have not previously been assessed; (b) estimated miscellaneous income for the financial period with respect to which the assessment of contributions is being made; (c) contributions resulting from the assessment of new States Parties under the provisions of Regulation 5.7; and (d) allocation of the cash surplus in accordance with Regulation 6.3. 	<p>The assessed contributions of States Parties shall be assessed for each financial period, taking into account adjustments for:</p> <ul style="list-style-type: none"> (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	<p>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:</p> <ul style="list-style-type: none"> (a) transmit the relevant documents to States Parties; (b) inform States Parties of their commitments in respect of their contributions to the budget and advances to the Working Capital Fund; and (c) request States Parties to remit their contributions and advances. 	<p>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:</p> <ul style="list-style-type: none"> (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.

Regulation	Previous Text	New Text
Regulation 5.4	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.	<p>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.</p> <p>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.</p>
Regulation 5.6	Payments made by a State Party shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which contributions were assessed.	<p>(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.</p> <p>(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.</p>

Regulation	Previous Text	New Text
Regulation 5.7	<p>New States Parties shall be required to make a 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 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 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.</p>	<p>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.</p>

Regulation	Previous Text	New Text
Regulation 6.2	<p>At the end of each financial period the provisional cash surplus for the financial period shall be determined by establishing the balance between the following credits and charges to the Regular Budget Fund:</p> <p>(a) credits:</p> <ul style="list-style-type: none"> - assessed contributions actually received for the financial period from States Parties; and - miscellaneous income received during the financial period; <p>(b) charges:</p> <ul style="list-style-type: none"> - 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. <p>The provisional cash surplus shall be retained in the Regular Budget Fund for the following twelve months.</p>	<p>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:</p> <p>(a) credits:</p> <ul style="list-style-type: none"> - contributions actually received for the financial period from States Parties; and - miscellaneous income received for the financial period; <p>(b) charges:</p> <ul style="list-style-type: none"> - 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. <p>The provisional cash balance shall be retained in the Regular Budget Fund for the next twelve months.</p>

Regulation	Previous Text	New Text
Regulation 6.3	<p>Cash surplus:</p> <p>(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 surplus:</p> <ul style="list-style-type: none"> - any arrears of prior years' assessed contributions received during that period; and - any savings from the provisions made for unliquidated obligations pursuant to Regulation 6.2(b); <p>(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</p> <p>(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:</p> <ul style="list-style-type: none"> - any outstanding advances to the Working Capital Fund; - any arrears of assessed contributions; and - assessed contributions for the current and following financial period. 	<p>Cash surplus:</p> <p>(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:</p> <ul style="list-style-type: none"> - 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. <p>(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</p> <p>(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:</p> <ul style="list-style-type: none"> - 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	Previous Text	New Text
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. A statement of all losses shall be submitted to the External Auditor as part of the financial statements prepared under Regulation 11.1.	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.
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 and investigation 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.	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.

Regulation	Previous Text	New Text
Regulation 12.2	<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>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:</p> <ul style="list-style-type: none"> (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. <p>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.</p>

Regulation	Previous Text	New Text
Regulation 12.3	<p>The internal oversight mechanism shall have:</p> <ul style="list-style-type: none"> (a) the operational independence, objectivity, and authority to conduct internal audits, inspections, evaluations and investigations; (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 reporting perceived cases of misconduct; protection against repercussions; due process for all parties concerned; and fairness during any investigation; and (e) procedures for prompt, effective follow-through on recommendations in or derived from its reports. 	<p>The internal oversight mechanism shall have:</p> <ul style="list-style-type: none"> (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 prompt, effective follow-through on recommendations in, or derived from, its reports.
Regulation 12.4	<p>Reports on each separate audit, inspection, evaluation and investigation 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.</p>	<p>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.</p>

Regulation	Previous Text	New Text
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. 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.	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.

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