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Conference of States Parties

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**AUDITED FINANCIAL STATEMENTS OF
THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
AND THE PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION
OF CHEMICAL WEAPONS
FOR THE PERIOD ENDED 31 DECEMBER 1999**

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**H.E. Mr. Istvan Gyarmati,
Chairman,
Conference of the States Parties,
Organisation for the Prohibition of Chemical Weapons,
Johann de Wittlaan 32
2517 JR THE HAGUE.**

Dated:29 March 2000

Excellency

I have the honour to submit the Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the period ended 31 December 1999, together with my opinion and report thereon, in accordance with Article 13.10 of the OPCW's Financial Regulations and Draft Financial Rules.

Yours faithfully,

**(V. K. Shunglu)
Comptroller and Auditor General of India.**

**OPINION OF THE EXTERNAL AUDITOR
ON THE FINANCIAL STATEMENTS OF THE
ORGANISATION FOR THE
PROHIBITION OF CHEMICAL WEAPONS
FOR THE PERIOD ENDED 31 DECEMBER 1999**

To: The Conference of the States Parties

I have audited the appended Financial Statements, comprising Statements I to VI, Schedule I and the supporting notes, of the Organisation for the Prohibition of Chemical Weapons (hereafter “the OPCW”) for the financial period ended 31 December 1999.

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

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

As a result of my audit, I am of the opinion that the financial statements present fairly the financial position as at 31 December 1999 and that they were prepared in accordance with the OPCW’s stated accounting policies (applied on a basis consistent with the previous period); and the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with Article 13 of the Financial Regulations, I have also prepared a report on the OPCW’s financial statements.

(V. K. Shunglu)
Comptroller and Auditor General of India

**REPORT OF THE EXTERNAL AUDITOR
on the
FINANCIAL STATEMENTS
of the
ORGANISATION FOR THE PROHIBITION
OF CHEMICAL WEAPONS
FOR THE PERIOD ENDED 31 DECEMBER 1999**

INTRODUCTION

1. SCOPE OF AUDIT

- 1.1** I have audited the Financial Statements of the Organisation for Prohibition of Chemical Weapons for the period ended 31 December 1999 in accordance with Article 13.3 of the OPCW's Financial Regulations and Draft Financial Rules and the Additional Terms of Reference Governing External Audit (Annex to the OPCW's Financial Regulations and Draft Financial Rules). Audit of the Financial Statements has been conducted in accordance with the auditing standards of the International Organisation of Supreme Audit Institutions and the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomic Energy Agency. These standards require that reasonable assurance is obtained as to whether the Financial Statements are free of material misstatement.
- 1.2** The Audit included a general review of the accounting and financial management procedures and of the accounting records to form an opinion on the financial statements.
- 1.3** I have expressed a separate audit opinion on the Financial Statements which show the status of the OPCW's Provident Fund for the period ended 31 December 1999.

2. REPORTING

- 2.1** During the course of audit such explanation, as were considered necessary under the circumstances, were sought on matters arising from examination of internal controls, accounting records and Financial Statements. The Management were also kept apprised of the original observations. Subsequently a management letter was issued keeping in view replies to the observations and further comments, where required, in respect of the desired action. Other matters not included here have been separately intimated in the management letter.

3. AUDIT OBJECTIVES

- 3.1** Objectives of the audit were mainly to form an opinion as to whether the expenditure recorded up to 31 December 1999, had been incurred for the purposes approved by the Organisation and was recorded in accordance with the OPCW's Financial Regulations and Draft Financial Rules. It was also designed to discover if the Financial Statements presented fairly the financial position of the OPCW as on 31 December 1999.

3.2 My examination was based on a test audit, in which all areas of the Financial Statements were subjected to a direct substantive test of transactions from a statistical sample. The audit exercise included:

- an assessment of internal controls to ensure that they were in place;
- substantive testing of transactions occurring during financial period ending 31 December 1999;
- a general examination of unliquidated obligations carried forward;
- a review of the Management response and compliance of recommendations of previous audit; and
- a review of the Financial Statements to ensure that they correctly reflected the OPCW's accounting records.

4. OVERALL RESULTS

4.1 The examination revealed no weaknesses or errors considered material to the accuracy, completeness and validity of the Financial Statements as a whole. Accordingly, I have placed an unqualified opinion on the OPCW's Financial Statements for the period ended 31 December 1999.

4.2 The report is divided into two sections. Summary of the main findings and recommendations are given in Section I, while Section II contains detailed findings.

SECTION I

SUMMARY OF FINDINGS AND RECOMMENDATIONS

1. APPROPRIATION AND EXPENDITURE

It was noticed that expenditure incurred was only 87.9 percent of the appropriations and that under-utilisation ranged from 30 percent to 100 percent in seven main objects of the budget. It is recommended that utilisation of the budget be closely monitored.

2. BUDGETARY TRANSFERS

Budgetary transfers were made from the object, Chapter 2, Programme V.I Verification, Sub-Programme.V.I.6, Item -C even though through an annotation in the budget document such a transfer was prohibited. Other transfers were found to be in compliance with Financial Regulations and Rules.

3. CONTRIBUTIONS FROM THE MEMBER STATES

Outstanding assessed contributions from Member States from 1997 amount to a total of NLG 5,968,351 .Of this NLG 2,572,937 pertains to 22 member states who have not paid their contributions from 1st of June 1997.

4. REIMBURSEMENT OF VERIFICATION COSTS

Income in respect of reimbursement of verification cost is recognised by OPCW when the invoices are actually raised. It is recommended that these be recognised and accounted for on accrual basis in the year of verification so as to be consistent with the adopted accounting standard of recognising all expenditure and income on accrual basis and to ensure matching of costs with reimbursement for the relevant financial year.

5. INVESTMENT OF SURPLUS FUNDS

OPCW has not framed and issued detailed Administrative Directives regarding investment of surplus funds or formed an Investment Advisory Group to provide advice on short and long term investment. It is recommended that detailed Administrative directives be framed and an Investment Advisory Group be set up.

6. DRAFT FINANCIAL RULES AND STAFF RULES

The Financial Rules and Staff Rules continue to be in draft form since the inception of OPCW. It is recommended that these be finalized very early.

7. HUMAN RESOURCES

7.1 OPCW issued administrative directives allowing engagement of children of Staff members and delegates as 'holiday hires' even though the Interim Staff Regulations and Rules do not permit appointment of persons having family relationships with staff members. It is recommended that management adhere to the spirit behind Interim Staff Rule 4.3.01 and discontinue the scheme.

7.2 OPCW issued administrative directives allowing payment of standby duty pay and compensatory time off to professional staff by invoking discretionary powers available in Interim Staff Regulation 1.2 notwithstanding the fact that such benefits were not provided for in the Staff Regulations and Interim Staff Rules. It is recommended that the benefits be brought under the ambit of Staff regulations and Interim Staff Rules only with the approval of the Conference of State Parties.

8. NON-EXPENDABLE PROPERTY

8.1 Details of non -expendable property purchased, retired, sold or disposed off during the year are not separately disclosed in the notes to the accounts. It is recommended that summary note # 22 to the Financial Statements be explicit as to value of opening block in each category of assets, value of purchases during the year, value of assets sold off, retired or traded off and the net value of assets at the end of the year.

8.2 Property Service Life of non -expendable property in the case of two branches were not recorded. Except for one branch, property verification certificates were not available. A proper system of asset identification was also not found.

9. HIRING OF AIRCRAFT

There is no documented policy or arrangement in OPCW for hiring of aircraft. This could impact adversely on OPCW's ability to carry out challenge inspections. It is recommended that the issue be accorded high priority.

10. VALUE ADDED TAX

There were delays in claiming reimbursements of VAT by OPCW. It is recommended that OPCW negotiate an agreement with the Government of Netherlands whereby VAT would not be payable.

11. INFORMATION SYSTEMS

11.1 The 'Smartstream Project' undertaken to computerize the operations in OPCW has had considerable time and cost over runs. It is recommended that its implementation be more closely monitored so that the Organization derives the intended benefits fully.

- 11.2** Since the budget module in the Smartstream package was found unsuitable another package called "Hyperion" was purchased without adequate consideration of alternatives. It is recommended that OPCW place greater emphasis on proper evaluation of software packages before deciding on purchases.

SECTION II

DETAILED FINDINGS AND RECOMMENDATIONS

1. APPROPRIATION AND EXPENDITURE

- 1.1** The total amount of the budget as approved by the Conference of the State Parties was NLG 137,748,000 (One hundred thirty seven million, seven hundred and forty eight thousand). The Chapter-wise expenditure for 1999, as approved by the Conference, was as below:
- i) Chapter 1 - Administrative & other costs: An amount not exceeding NLG 60,587,400.
 - ii) Chapter 2 - Verification costs: An amount not exceeding NLG 77,160,000.
- 1.2** Against an appropriation of NLG 137,748,000 (One hundred thirty seven million, seven hundred and forty eight thousand) in the budget, the OPCW incurred an expenditure of NLG 121,117,594 (One hundred twenty million, one hundred and seventeen thousand) during the year 1999, leaving a balance of NLG 16,630,000 (sixteen million, six hundred and thirty thousand).
- 1.3** Thus, the expenditure incurred during the year was 87.9 per cent of the total budget appropriations. Under-utilization in respect of seven main objects of the budget, having budgetary allocation of NLG one million and above ranged between 30 and 100 per cent of the budgetary allocation (after transfers).
- 1.4** **We recommend that OPCW further refine its budgetary assumptions so as to reduce the incidence of provisions being made in excess of requirements.**
- 1.5** Reasons for under-utilization in each case were not provided as the relevant report on the implementation of the budget for 1999 was stated to be under preparation.
- 1.6** Savings of NLG 200,000 from the initial budget allocation was retained in a Special Account for conducting a study on Classification of Posts.
- 1.7** Disbursements expressed in terms of percentages of the revised Budget for each quarter were as follows.

Programme	Revised budget	Qrt1 %age	Qrt2 %age	Qrt3 %age	Qrt4 %age
A.1	19,793,904.3	16.64	24.49	22.77	24.60
A.2	14,660,323.7	20.77	20.42	22.07	27.44
A.3	3,260,800.0	17.55	22.02	24.70	27.36
A.4	7,311,000.0	12.59	25.19	16.93	37.32
A.5	16,412,300.0	14.06	25.98	22.73	16.50
Sub-Total	61,438,328.0	16.50	23.87	22.00	24.77
V.1	14,060,719.4	17.41	18.84	21.71	22.08
V.2	58,836,552.6	18.26	19.46	23.61	22.66
Sub-Total	72,897,272.0	18.09	19.34	23.24	22.55
GRAND TOTAL	134,335,600.0	17.37	21.41	22.67	23.57

1.8 The figures of disbursements showed an uniform spread throughout the year.

2. BUDGETARY TRANSFERS

2.1 Note 19 of the Financial Statements mentioned that during 1999 five transfers were made between the two chapters, three transfers between programmes and 27 transfers within programmes and sub-programmes. These were found to be in compliance with the Financial Regulations and Rules.

2.2 Chapter 2, Programme V.1. Verification, Sub programme v.1.6, Item-C recognizes expenditure of NLG 154,412 during the year 1999. Actual disbursement taken into the financial statement amounted to NLG 10,000 leaving a balance of NLG 144,412 as unliquidated obligation as at the end of the year 1999. The budget approved by the Member States had in an annotation stipulated that “NLG 255,000 is not subject to internal transfers to other items of the Budget”. Despite this an amount of NLG 100,563 was transferred to other objects of expenditure.

2.3 Management’s contention that the Conference of the State Parties approved the budget item V.1.6 without any prior conditions and that an “annotation” is not binding and accordingly they made the transfer within the Financial Rules and Regulations is not tenable

2.4 **It is recommended that the decision of the Conference of State Parties laying down a specific condition prohibiting transfer of amounts budgeted for designated laboratories be adhered to.**

3. CONTRIBUTIONS FROM THE MEMBER STATES

3.1 In terms of accounting policy mentioned at Note 2 (f) to the accounts, assessed contributions are recorded as income on an accrual basis.

Dues and voting rights:

3.2 The position of outstanding assessed contributions for the last three years as on 31 December 1999 was as follows.

Year	Assessment(NLG)	Outstanding(NLG)
1997	86,613,864	456,177
1998	122,444,500	1,329,649
1999	108,081,135	4,182,525
Total	317,139,499	5,968,351

3.3 In terms of Paragraph 8 of Article VIII of the Convention, a member of the OPCW who is in arrears in the payment of its financial contribution to the Organization will have no vote in the Organization, if the amount of its arrears equals or exceeds the amount of the contribution due from it for the preceding two full years.

3.4 The position of Member States who have been in arrears in making payments against their contribution as on 31st December 1999 was as follows.

Member states(number)	1997	1998	1999
Paid fully	81	77	66
Paid partly	2	12	15
No payment	22	32	47

3.5 Thirty two out of the 121 Member States have not paid their contributions at all for the years 1998 and 1999. Of these 22 were in default for the period 1st June 1997 to 31 December 1999. The outstanding dues from these member states were as follows.

1997(NLG)	1998(NLG)	1999(NLG)	Total(NLG)
440,059	909,266	1,223,612	2,572,937

Distribution of cash surplus of 1997:

3.6 A cash surplus of NLG 40,093,352 relating to the financial period 1st June 1997 to 31 December 1997 was credited to Member states in the Financial Year 1999 according to the scales of assessments in which they were initially assessed.

3.7 This adjustment, in effect, reduced the assessment for the period ending 31 December 1997 from NLG 86,613,864 to NLG 46,520,512. The actual assessment for the year 1997 thus worked out to 53% of the initial assessment.

3.8 Management stated that 1997 was the first year of the OPCW and that they had prepared the budget without having any prior experience of the expenditure of the organization and that the subsequent years showed an improvement in terms of percentages.

4. REIMBURSEMENT OF VERIFICATION COSTS

4.1 Note 2 (n) lays down the following accounting policy in respect of verification costs:

“ Income in respect of reimbursement of verification costs under Articles IV and V of the Chemical Weapons Convention is recognized at the time when the respective invoices are sent to the States Parties concerned.”

4.2 The OPCW raised invoices in this regard on Member States as mentioned below for the last three accounting years from 29th April 1997 to 31st December 1999.

Member State	NLG
USA	15,346,373
Russian federation	1,136,962
Japan	232,137
India	417,682
UK	66,434
France	45,248
A state party	699,805
China	71,423
Iran	51,355
UN (for Iraq)	59,122
Total	18,126,541

4.3 OPCW raised invoices on Member States amounting to NLG 18,067,419 and on United Nations in respect of Iraq (a non-member state) for NLG 59,122 for the period beginning 1997. These invoices were raised in different years and were accounted for in the respective years in accordance with the accounting policy mentioned above.

4.4 Since income of NLG 59,122 was received on behalf of a non-member state, a disclosure to this effect would be in order as the provisions of the Art IV and V are applicable to State parties only.

4.5 Management agreed to disclose the income separately, and to amend note 7 accordingly.

Contradiction between significant accounting policies adopted in financial statements:

4.6 Note 2 (d) to the Financial Statements states that income, expenditure, assets and liabilities are recognized on an accrual basis of accounting. The only exception provided in this note are for items as listed out in note 2 (j).

4.7 Note 2(j) lists furniture, equipment and other non-expendable property valued at NLG 2000 or more with a serviceable life of more than one year. Reimbursement of

verification cost is not an item of exception under note 2(j). Accordingly, once verification is done, the reimbursement becomes due immediately and has to be accounted for in the year of verification itself.

- 4.8** However, note 2(n) allows the recognition of this income, subsequent to the year of verification, as and when the invoices for the same are sent to the respective State Parties. Thus, there is an apparent contradiction between note 2(d) and note 2 (n).
- 4.9** Management agreed that there is a contradiction between note 2(d) and note 2(n). It was further stated that note 2(d) would be amended to include an exception for accounting of income in respect of reimbursement of verification costs under Articles IV and V. Operational reasons were cited to justify recording of income on an accrual basis for the first three quarters of a year.
- 4.10** **We recommend that income in respect of reimbursements of verification costs be recognized and accounted for on accrual basis in the year of verification so as to ensure matching of costs with reimbursements for the relevant financial year.**

5. INVESTMENT OF SURPLUS FUNDS

Financial regulations & rules:

- 5.1** Financial Regulation 9.1 allows short term investments of monies that are not needed to pay for the OPCW's immediate requirements. The Executive Council may request for establishment of an Investment Advisory Group to provide advice on short and long-term investments.
- 5.2** In terms of Financial Rule 9.1.02 no more than twenty five per cent of the OPCW's total cash assets can normally be invested in one institution, subject to a maximum of NLG 15 million.
- 5.3** Rules further provide that the composition of the Investment Advisory Group shall normally be restricted to experts of recognized standing on investment management.

Administrative directive:

- 5.4** OPCW has not framed and issued detailed Administrative Directives regarding investment of its surplus moneys, not needed for immediate requirements. Management replied that it follows the investment directive that was applicable during the PREPCON.

Investment advisory group:

5.5 OPCW has not formed an Investment Advisory Group to provide advice on short and long term investment.

5.6 It was noted that the surplus moneys were being invested in banks based on telephonic quotations that were not subsequently authenticated.

Policy aspects of investments:

5.7 There was no documented policy governing the selection of Banks for the purpose of investment of surplus funds of the Organization.

5.8 **We recommend that**

i) An Investment Advisory Group be formed to provide advice on short and long term investment including policy.

ii) OPCW should frame and issue detailed Administrative Directives on investment of its surplus funds, not needed for immediate requirements.

6. DRAFT FINANCIAL RULES

6.1 The OPCW came into being on 29th April 1997 with the entry into force of the Convention on the Prohibition of the Development, production, stockpiling and use of Chemical Weapons and on their destruction. The Financial Regulations and Draft Rules of the OPCW were revised on 24 July 1997 and the OPCW Interim Staff Rules were revised on 23 July 1998 and then on 15 November 1999.

6.2 Whereas the Financial Regulations have been finalised during this period, the Financial Rules and Staff Rules have remained at the 'Draft' stage only.

6.3 Management explained that the reason for their being in 'Draft' form was that the Executive council could not reach consensus on certain Financial Rules, namely Rules 10.6.04(d), 10.6.05(c) and 10.6.06 that relate to commercial availability of inspection equipment. As regards Staff Rules, the Head Human Resources intimated that the matter was before the EC and informal consultations were going on by the Member States for the finalization of these rules.

6.4 **We recommend that the Financial Rules and Staff Rules be finalized at the earliest.**

7. HUMAN RESOURCES

Scheme of holiday hire:

- 7.1** Appointments to OPCW are governed by the Staff Regulation 4.1, 4.2, 4.3 4.4 4.5 and the interim Staff Rules made thereunder which envisage only two types of recruitment (i) Local recruitment and (ii) International recruitment.
- 7.2** Rule 4.3.01(a) bans the granting of appointments with OPCW to persons who have family relationships (father, mother, son, daughter, brother or sister) with an existing staff member. The exception to this rule can only be resorted to in conditions, where the Organization is convinced that other than the family relation of the staff member, no other person equally well qualified can be recruited.
- 7.3** Through two Administrative Directives issued on 16 June 1997 and 12 October 1999 a **Holiday hire Programme** was launched by OPCW Management.
- 7.4** Through this programme, children of Staff members who were at home for holidays or awaiting admission to Universities were encouraged and recruited temporarily in OPCW. This programme was restricted to children between the ages of 17 and 24 and in secondary or tertiary education and who had been covered by their parent/guardian in the OPCW group medical insurance Policy.
- 7.5** The scheme benefited mainly the children of Staff members in professional and higher level of posts, recruited internationally. It is seen that the scheme contravened the Staff Regulation and Interim Staff Rules.
- 7.6** The Head of the Human Resources Branch stated that the restriction imposed by Interim Staff Rule 4.3.01 on appointments of family relations of Staff members is not attracted as the “Holiday hires” are not on appointment with OPCW, that it is in the financial interest of the Organization to get this job done through “Holiday hires” at more economical rates and as the scheme is open to delegates also, it could not be viewed as an additional benefit to the staff members.
- 7.7** **We recommend that Management adhere to the spirit behind Interim Staff Rule 4.3.01 and discontinue the scheme.**

Standby duty allowance:

- 7.8** The Salaries and related allowances of staff members of OPCW are governed in terms of Staff Regulation 3.1 and interim Staff Rules made thereunder viz. Rule 3.1.01 to 3.1.07. The Staff Regulation and the Rules do not provide for any addition to pay by way of “Standby duty pay”. However, Rule 1.2.02 allows General Service category staff members to be compensated for working beyond normal hours, by way of compensatory time off or additional payments, in lieu of that.

- 7.9** Through an administrative directive 'Standby duty pay' was authorized to staff members for duty outside their normal working day at 5% of the aggregate of net base salary plus language allowance. This was paid irrespective of the fact whether the staff member on standby duty was actually called in for work at times specified in the 'Standby duty roster'.
- 7.10** During 1998 and 1999, an amount of NLG 28,318.83 had been paid as 'Standby duty pay'
- 7.11** The directive granting "Standby duty pay", being in the nature of addition to pay is not supported by the provisions in the Staff Regulations and interim Staff Rules.
- 7.12** Management stated that the 'Standby duty Pay' was authorized by exercising wide discretionary powers under Staff Regulation 1.2. It was further stated that a payment of this nature is not barred by any specific Regulation and Rules.
- 7.13** **We recommend that 'Standby duty pay' be incorporated within the ambit of the Staff Regulations and Interim Staff Rules if it is so approved by the Conference of State Parties.**

Compensatory leave for professional staff:

- 7.14** In terms of Staff Regulation 1.2, the whole time of staff members is at the disposal of the Organization. Interim Staff Rule 1.2.02(a), establishes the hours of work and a normal working week of 40 hours. Rule 1.2.02(b) states that a staff member may be required to work beyond normal hours of duty, on terms and conditions to be determined by the Management. Rule 1.2.02(c) specifically provides for the grant of compensatory time off or additional payments in lieu of that, to staff members in "General Service Category" only.
- 7.15** It was noted that an administrative directive granted staff in Professional and higher categories compensatory time off up to a maximum limit of four full days per six months for hours clocked as overtime. This was not correct as Staff Regulation 1.2 and interim Rules do not contemplate any compensatory time off or additional payments to staff members in Professional and higher categories for working outside normal working hours.
- 7.16** Management stated that Staff Regulation 1.2 and the Rules made thereunder give wide discretion for grant of benefits/compensation to staff.
- 7.17** We recommend that 'compensatory time off' be brought under the ambit of the Staff Regulations and interim Staff Rules if so approved by the Conference of State Parties.

8. NON-EXPENDABLE PROPERTY

Disclosure of non expendable property:

- 8.1** The accounting policy in relation to non-expendable property states that property valued at more than NLG 2000 per unit and with a service life of more than one year are not included in the assets of the organization. Presently, the Organization charges the expenditure on acquisitions to the budgetary accounts in the year of purchase.
- 8.2** The policy of charging the capital expenditure to the revenue and non-reflection of capital assets in the Balance sheet of the organization has been adopted from the UN Accounting Standards.
- 8.3** The practice followed by the Organization is as stated below.
- i) The Statement of Assets, Liabilities and Reserves and Fund Balances as at the end of the Financial Year reflects only the Current Assets and Current Liabilities whereas fixed assets and Long term liabilities are reflected only by way of notes to the Accounts.
 - ii) The relevant details of non-expendable assets purchased, retired, sold or disposed off during the year are not separately disclosed (block figures) in the notes to accounts.
- 8.4** **The summary note # 22 to the Financial Statements needs to be explicit as to value of opening block in each category of assets, value of purchases during the year, value of assets sold off, retired or traded off and the net value of assets at the end of the year.**
- 8.5** Management agreed that effective 1st January 2000, they will record all movements i.e. purchases and disposals of non-expendable property in the memoranda accounts at the time when they occur, and not at the year end only.

Physical verification of non-expendable property:

- 8.6** Physical verification of a sample of assets carried out by us showed that:
- i) The Projected Service Life (PSL) of the non-expendable property under the control of Health and Safety Branch (HSB) and Training and Staff Development Branch (TDB) was not found recorded.
 - ii) Information Systems Branch (ISB) showed PSL of 3 years across the board for Hardware whereas PSL was shown as indefinite for software. It was noticed that the list of hardware items also included furniture items.
 - iii) Physical Verification Certificate of non-expendable property was made available by ISB only. Reports in case of other branches were not furnished.

- iv) Certain HSB and TDB did not furnish Receiving Reports for the non-expendable property.
- v) A proper system of asset identification through unique numbering or bar coding was not found during sample verification of assets at Rijswijk facility.

8.7 Management stated that 'Bar coding system' that was implemented successfully in a pilot project will be applied in all areas of the OPCW inventory.

9. HIRING OF AIRCRAFT

9.1 The mandate of OPCW includes *Challenge inspections* pursuant to Article IX of the Convention and investigations of an *alleged use* of chemical weapons. Whereas Part X and Part XI of the Verification Annex lays down responsibility for transportation on State Parties up to the point of site of inspection from the entry point, it is the responsibility of OPCW to transport the inspection teams and equipment up to the point of entry.

9.2 There is no documented policy or arrangement for hiring or chartering of aircraft by the OPCW.

9.3 Since there could be occasions when verification may have to be carried out at short notice and commercial flights to the destinations could be uncertain, there is a need for OPCW to have adequate preparedness in this regard.

9.4 Management stated that the issues concerning readiness in this regard are being worked out.

9.5 We recommend that the issue be accorded high priority.

10. VALUE ADDED TAX

10.1 The Organisation is exempt from payment of all direct and indirect taxes. Accordingly, all requests for quotations, bids and purchase orders for goods and services by OPCW specifically solicit offers exclusive of VAT. As payment of VAT is not envisaged while issuing purchase orders, no amount is obligated and budgeted by OPCW towards payment of VAT.

10.2 However, for vendors operating in Netherlands, VAT exemption to OPCW is effected by refund of VAT after payments are made. Moreover payments below a certain value do not qualify for refund.

Vat paid but reimbursement not requested:

10.3 An amount aggregating to NLG 3,623.88 paid as VAT during the year 1999 on invoices for less than NLG 500 each, was not requested for reimbursement from the authorities in Netherlands. In addition to these invoices, an amount of NLG 32,045.68 paid as VAT on 5 invoices was not requested for reimbursement at all.

10.4 For the purposes of consistency and uniformity among State parties, OPCW should request the Government of Netherlands to amend the agreement for VAT whereby VAT would not be required to be paid.

10.5 The Management agreed to claim the NLG 32,045.68 from the tax authorities in the first week of March 2000.

11. INFORMATION SYSTEMS

Status of smartstream project:

11.1 In order to computerize its operation the PREPCON and subsequently OPCW went in for SMARTSTREAM project/Software (renamed AIM) that had several modules catering to different needs of the various branches of OPCW. The software included modules on Budget and Finance, procurement, payroll, recruitment, Funds control, Travel, Supplies Management, receivables, payables, health, Safety etc. Thus, this was a consolidated package, catering to all aspects of secretarial administration of OPCW.

11.2 The Smartstream project was targeted for completion by November 1996 at an estimated total cost of NLG 399,525 (Licence=180,000 and NederConsult=219,525). It was noticed that till December 1999, OPCW spent NLG 1,532,321 on Smartstream Project.

11.3 It was noted that as at December 1999, the Smartstream Project was not implemented fully. While many modules are planned for execution till 15 February 2002, certain modules on Payroll, Benefits, Health and Safety were yet to be planned.

The Project has suffered considerable cost and time over runs and as such there is a need for closer monitoring of the implementation of the project.

11.4 The Smartstream package was found to be unsuitable so far as the budget modules was concerned and another package called 'Hyperion' was purchased at a cost of NLG 216,186 without adequate consideration of alternatives.

11.5 We recommend that OPCW should put greater emphasis on proper evaluation of software packages before deciding on purchases.

12. INTERNAL OVERSIGHT

12.1 During the Year 1999, the Internal Auditor conducted four internal audits, three confidentiality audits and four Inspections and made 87 recommendations. In respect of previous year's audit, the Management has accepted all the recommendations made by the Internal Auditors and had also implemented (up to June 1999) 56 recommendations. For current Year's recommendations, out of 39 recommendations made up to June 1999, the Management had implemented 20 recommendations.

**13. COMPLIANCE WITH THE EXTERNAL AUDITOR'S REPORT - 1998
ACCOUNTS**

13.1 A report containing the Management's response to the External Auditor's report issued on the 1998 accounts of the OPCW was reviewed. This has been reviewed in the document placed at Annexure I. It was seen that the Management has taken steps to comply with the previous recommendations of the External Auditor.

14. ACKNOWLEDGEMENT

14.1 I am thankful to the Director General of the Organisation for Prohibition of Chemical Weapons and members of the staff of the Technical Secretariat for their cooperation during the course of audit.

(V.K. SHUNGLU)
Comptroller and Auditor General of India

EXTERNAL AUDITOR'S REPORT ON THE 1998 ACCOUNTS

COMPLIANCE REVIEW

1. APPROPRIATION AND EXPENDITURE

- 1.1** It was noticed that expenditure incurred was only 86.77% of the appropriation approved by the Conference and in respect of 14 objects under utilisation ranged between 28.78% and 100%.
- 1.2** It was noticed that disbursements as percentage of the budget after transfers amounted to 13 and 31% during the first quarter and the first half of the year.
- 1.3** It was recommended that appropriate monitoring be instituted to ensure an even flow of expenditure.

Management's Response

- As a result of close monitoring by the Management, surplus for the budget for 1999 would close with a surplus of just over NLG 8 millions. The 1997 and 1998 budgets showed surpluses of NLG 36.1 and NLG 18.6 millions respectively.

Factual Position

- "Budget utilisation during the year 1999 was 87.9% (Previous year : 86.8% during 1998) and the budget surplus was NLG 16.6 millions (Previous year : NLG 18.6 millions).

2. BUDGETARY TRANSFERS

- 2.1** It was recommended that the creation of a new object of expenditure within a programme reported to the Executive Council/ the Conference of the State Parties for ratification.
- 2.2** It was recommended that in future section-wise break-up of Personnel Resources costs be presented for programmes having sections.

Management's Response

- During 1999 no new object of expenditure within a programme was created, but the recommendation will be complied with, whenever it occurs. Regarding transfers, the Secretariat has made every effort to minimise them as much as operationally feasible. As a result, the number of transfers during 1999 has been reduced from 55 in 1998 to some 35 in 1999.

- A section-wise break-up of Personnel Resources costs is now presented for all programmes having sections (sub programmes), i.e. for Verification, Inspection, Management and Operations and Administration. This is reflected in the monthly budget status reports for 1999.

3. UNLIQUIDATED OBLIGATIONS

- 3.1** It was recommended that the unliquidated obligations in general, and MODs in particular, should be liquidated at the earliest opportunity.

Management's Response

- Special attention has been drawn to the periodic review of unliquidated obligations. We have fine tuned the system of quarterly review of obligations in co-ordination with the respective programme managers. This has led to a reduction in the balance of unliquidated obligations from NLG 11.2 millions at 31.12.98 to NLG 6.8 millions at 31.12.99.

4. REIMBURSEMENT OF VERIFICATION COST

- 4.1** It was recommended that income on account of reimbursement of verification cost for verifications carried out during previous year should be disclosed as a separate Accounting Policy.

Management's Response

- The accounting policy regarding income in respect of reimbursement of verification costs under Articles IV and V of the convention was disclosed as a separate accounting policy in note 2(n) to the financial statements and will also be disclosed in the notes to the 1999 and subsequent financial statements.

5. PERSONNEL

- 5.1** It was recommended that the provisions of the Financial Rule 10.1.09 should be applied to ensure early settlement of Travel Advances in future, and that all cases of outstanding advances should be reviewed at regular intervals.

- 5.2** It was recommended that in view of the fact that the Staff Rules do not explicitly provide for the payment of a "team leader allowance" or for any relaxation in the requirement that "special post allowance" is payable even for periods less than three months, the payment of "team leader allowance" and the circumstances necessitating it, be reported to the next session of the Conference of the State Parties for ratification post facto.

Management's Response

- The provision of the Draft Financial Rule 10.01.09 is implemented with effect from 1 November, 1999.

- The matter relating to paragraph 6.3 of the External Audit Report are scheduled to be considered by the Conference during its Fifth Session in May 2000.

6. NON-EXPENDABLE PROPERTY

- 6.1** It was recommended that a Property Survey Board be established.
- 6.2** It was recommended that the Principal Financial Officer should designate the staff members(s) responsible for the property records; the staff member(s) accountable for the property records; and the staff member(s) accountable for the property.
- 6.3** It was recommended that a comprehensive Administrative Directive be issued for maintaining the property records, physical verification, receiving and projected serviceable life of non-expendable property.

Management's Response

- Comprehensive administrative directives on non-expendable property and the Property Survey Board were drafted by the Procurement and Support Services Branch in close co-ordination with senior officer of other branches concerned during the second half of 1999. The draft directives on non-expendable property covers all related aspects including points relating to a standard format for maintaining property records, physical verification, receiving reports, projected serviceable life of non-expendable property and designation of responsibilities for maintaining property records, for accounting for property records and for accountability for the property. The two draft directives were recently submitted to management and will be approved in due course.

7 SMARTSTREAM PROJECT

- 7.1** It was recommended that the preparation and implementation of various AIM modules be closely monitored in order to the newly prepared time scheduled.

Management's Response

- The Information Systems Steering Committee was tasked with the close monitoring of the implementation of AIM project. In this regard, we undertook a major migration of the Smartstream database and clients (Sybase - NT SQL, Windows - NT) not to mention going into production on Training, Recruitment, start with Funds Control and Procurement design and bank transaction automation PMAS etc.

FINANCIAL STATEMENTS

OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

FOR THE PERIOD ENDING 31 DECEMBER 1999

**APPROVAL OF THE FINANCIAL STATEMENTS
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE PERIOD ENDING 31 DECEMBER 1999**

The following appended financial statements, comprising statements I to VIII, schedule 1 and supporting notes, were properly prepared in accordance with Financial Regulation 11.1, and the United Nations System Accounting Standards and are hereby approved.

José M. Bustani
Director-General

G. Reginald van Raalte
Director of Administration

The Hague, 24 March 2000

ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

The Financial Statements for
the period ending 31 December 1999

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Notes to the Financial Statements

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
All Funds for the period ending 31 December 1999
(Expressed in Netherlands Guilders)

	General Fund (Notes 4 - 8)		Working Capital Fund (Notes 24,25)		Special Accounts (Statement V)		Trust Funds (Statement VII)		TOTAL	
	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98
INCOME										
Assessed contributions	108,040,000	122,444,500	-	-	-	-	-	-	108,040,000	122,444,500
Voluntary contributions	-	-	-	-	-	-	262,851	830,225	262,851	830,225
Other/Miscellaneous income	-	-	-	-	-	-	-	-	-	-
Allocations from other funds	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	41,135	381,056	-	-	-	-	-	-	41,135	381,056
Interest income	2,285,631	2,833,289	-	-	6,560	-	37,106	27,577	2,329,297	2,860,866
Currency exchange adjustments	1,660	-	-	-	-	-	6,920	-	8,580	-
Other	18,804,489	11,837,111	-	-	-	-	-	5	18,804,489	11,837,116
TOTAL INCOME	129,172,915	137,495,956	-	-	6,560	-	306,877	857,807	129,486,352	138,353,763
EXPENDITURE	121,117,594	122,174,753	-	-	-	-	40	1,573	121,117,634	122,176,326
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	8,055,321	15,321,203	-	-	6,560	-	306,837	856,234	8,368,718	16,177,437
Prior period adjustments	952,419	112,754	-	-	-	-	(4,164)	(88)	948,255	112,666
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	9,007,740	15,433,957	-	-	6,560	-	302,673	856,146	9,316,973	16,290,103
Savings on prior periods' obligations	2,376,091	2,851,871	-	-	-	-	-	-	2,376,091	2,851,871
Transfers to/from other funds	(3,412,400)	2,032,132	-	-	3,412,400	-	-	-	-	2,032,132
Credits to Member States	(40,093,352)	(13,975,012)	-	-	-	-	-	(31,660)	(40,093,352)	(14,006,672)
Other adjustments to reserves and fund balances	-	-	7,145	182,580	-	-	-	-	7,145	182,580
Reserves and fund balances, beginning of period	57,098,808	50,755,860	10,571,066	10,388,486	-	-	1,282,350	457,864	68,952,224	61,602,210
RESERVES AND FUND BALANCES, END OF PERIOD	24,976,887	57,098,808	10,578,211	10,571,066	3,418,960	-	1,585,023	1,282,350	40,559,081	68,952,224

STATEMENT OF ASSETS, LIABILITIES AND RESERVES AND FUND BALANCES
All Funds as at 31 December 1999
(Expressed in Netherlands Guilders)

	General Fund (Notes 9 - 17)		Working Capital Fund (Notes 24,25)		Special Accounts (Statement VI)		Trust Funds (Statement VIII)		TOTAL	
	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98
ASSETS										
Cash and term deposits	51,895,898	43,056,198	8,148,499	10,442,506	3,212,400	-	1,433,011	1,250,194	64,689,808	54,748,898
Accounts receivable										
Assessed contributions receivable from Member States	8,184,385	28,303,111	-	-	-	-	-	-	8,184,385	28,303,111
Voluntary contributions receivable	-	-	-	-	-	-	-	-	-	-
Advances receivable	-	-	129,829	134,672	-	-	-	-	129,829	134,672
Inter-fund balances	-	6,112	2,299,883	-	200,000	-	138,536	21,234	2,638,419	27,346
Inter-entity balances	-	-	-	-	-	-	-	-	-	-
Other	12,881,326	10,406,260	-	-	6,560	-	13,476	10,922	12,901,362	10,417,182
Other assets	5,957,573	3,919,004	-	-	-	-	-	-	5,957,573	3,919,004
TOTAL ASSETS	78,919,182	85,690,685	10,578,211	10,577,178	3,418,960	-	1,585,023	1,282,350	94,501,376	97,550,213
LIABILITIES										
Contributions or payments received in advance	39,251,598	10,352,010	-	-	-	-	-	-	39,251,598	10,352,010
Borrowings payable within one year	-	-	-	-	-	-	-	-	-	-
Unliquidated obligations	6,906,092	11,175,035	-	-	-	-	-	-	6,906,092	11,175,035
Accounts payable										
Inter-fund balances	2,654,357	1,290,758	-	6,112	-	-	-	-	2,654,357	1,296,870
Inter-entity balances	-	-	-	-	-	-	-	-	-	-
Other	5,130,248	5,774,074	-	-	-	-	-	-	5,130,248	5,774,074
Other liabilities	-	-	-	-	-	-	-	-	-	-
Borrowings payable after one year	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	53,942,295	28,591,877	-	6,112	-	-	-	-	53,942,295	28,597,989
RESERVES AND FUND BALANCES										
Fund balances	24,976,887	57,098,808	10,578,211	10,571,066	3,418,960	-	1,585,023	1,282,350	40,559,081	68,952,224
TOTAL RESERVES AND FUND BALANCES	24,976,887	57,098,808	10,578,211	10,571,066	3,418,960	-	1,585,023	1,282,350	40,559,081	68,952,224
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	78,919,182	85,690,685	10,578,211	10,577,178	3,418,960	-	1,585,023	1,282,350	94,501,376	97,550,213

GENERAL FUND
STATEMENT OF CASH FLOW
for the period ending 31 December 1999
(Expressed in Netherlands Guilders)

	31-Dec-99	31-Dec-98
Cash flows from operating activities		
Net excess (shortfall) of income over expenditure (Statement I)	9,007,740	15,433,957
(Increase) decrease in contributions receivable (Statement II)	20,118,726	(11,093,392)
(Increase) decrease in other accounts receivable (Statement II)	(2,475,066)	(8,078,536)
(Increase) decrease in other assets (Statement II)	(2,038,569)	(2,858,989)
Increase (decrease) in contributions or payments received in advance (Statement II)	28,899,588	8,948,673
Increase (decrease) in accounts payable (Statement II)	(643,826)	4,421,993
Increase (decrease) in unliquidated obligations (Statement II)	(4,268,943)	(3,329,496)
Increase (decrease) in other liabilities (Statement II)	-	-
Less: Interest income (Statement I)	(2,285,631)	(2,833,289)
Plus: Interest expense	-	-
Net Cash from operating activities	46,314,019	610,921
Cash flows from investing and financing activities		
(Increase) decrease in investments	-	-
(Increase) decrease in inter-fund balances receivable (Statement II)	6,112	186,691
(Increase) decrease in inter-entity balances receivable (Statement II)	-	-
Increase (decrease) in inter-fund balances payable (Statement II)	1,363,599	(330,985)
Increase (decrease) in inter-entity balances payable (Statement II)	-	(284,537)
Increase (decrease) in borrowings (Statement II)	-	-
Plus: Interest income (Statement I)	2,285,631	2,833,289
Less: Interest expense	-	-
Net cash from investing and financing activities	3,655,342	2,404,458
Cash flows from other sources		
Savings on or cancellation of prior periods' obligations (Statement I)	2,376,091	2,851,871
Transfers (to)/from reserves	-	-
Transfers (to)/from other funds (Statement I)	(3,412,400)	2,032,132
Credits to Member States (Statement I)	(40,093,352)	(13,975,012)
Other adjustments to reserves and fund balances	-	-
Net cash from other sources	(41,129,661)	(9,091,009)
Net increase (decrease) in cash and term deposits (Statement II)	8,839,700	(6,075,630)
Cash and term deposits, beginning of period (Statement II)	43,056,198	49,131,828
Cash and term deposits, end of period (Statement II)	51,895,898	43,056,198

GENERAL FUND

Statement IV

Statement of Appropriations for the
period ending 31 December 1999
(Expressed in Netherlands Guilders)

Appropriation Section	Appropriations			Expenditure				Balance of Appropriations
	Original	Transfers		Revised	Disbursements	Unliquidated Obligations	Total	
		To Special Accounts	Within General Fund					
Programme A.1 Executive Management	19,373,300	–	420,604	19,793,904	17,516,782	1,225,087	18,741,869	1,052,035
Programme A.2 Administration	14,980,000	(200,000)	(119,676)	14,660,324	13,296,394	409,303	13,705,697	954,627
Programme A.3 External Relations	3,260,800	–	–	3,260,800	2,987,786	99,532	3,087,318	173,482
Programme A.4 International Cooperation and Assistance	6,361,000	–	950,000	7,311,000	6,728,330	438,497	7,166,827	144,173
Programme A.5 Common Services not Distributed to Programmes	16,612,300	–	(200,000)	16,412,300	13,009,401	1,735,662	14,745,063	1,667,237
Total Administrative and Other Costs	60,587,400	(200,000)	1,050,928	61,438,328	53,538,693	3,908,081	57,446,774	3,991,554
Programme V.1 Verification	17,044,400	(3,212,400)	228,719	14,060,719	11,255,545	2,046,430	13,301,975	758,744
Programme V.2 Inspection Management and Operations	60,116,200	–	(1,279,647)	58,836,553	49,417,267	951,581	50,368,845	8,467,708
Total Verification Costs	77,160,600	(3,212,400)	(1,050,928)	72,897,272	60,672,809	2,998,011	63,670,820	9,226,452
TOTAL Regular Budget	137,748,000	(3,412,400)	–	134,335,600	114,211,502	6,906,092	121,117,594	13,218,006

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES

Special Accounts for the period ending 31 December 1999

(Expressed in Netherlands Guilders)

	OPCW Equipment Store (Notes19,28)		Designated Laboratories (Notes19,28)		Funding of a Post Classification Study (Notes19,30)		TOTAL	
	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98
INCOME								
Assessed contributions	-	-	-	-	-	-	-	-
Voluntary contributions	-	-	-	-	-	-	-	-
Other/Miscellaneous income								
Allocations from other funds	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-
Interest income	3,715	-	2,845	-	-	-	6,560	-
Currency exchange adjustments	-	-	-	-	-	-	-	-
Other/Miscellaneous	-	-	-	-	-	-	-	-
TOTAL INCOME	3,715	-	2,845	-	-	-	6,560	-
EXPENDITURE	-	-	-	-	-	-	-	-
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	3,715	-	2,845	-	-	-	6,560	-
Prior period adjustments	-	-	-	-	-	-	-	-
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	3,715	-	2,845	-	-	-	6,560	-
Savings on prior periods' obligations	-	-	-	-	-	-	-	-
Transfers to/from other funds	1,820,400	-	1,392,000	-	200,000	-	3,412,400	-
Credits to Member States	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	-	-	-	-	-	-	-	-
RESERVES AND FUND BALANCES, END OF PERIOD	1,824,115	-	1,394,845	-	200,000	-	3,418,960	-

STATEMENT OF ASSETS, LIABILITIES AND RESERVES AND FUND BALANCES
Special Accounts as at 31 December 1999
(Expressed in Netherlands Guilders)

	OPCW Equipment Store (Note 29)		Designated Laboratories (Note 29)		Funding of a Post Classification Study (Note 30)		Total	
	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98
ASSETS								
Cash and term deposits	1,820,400	-	1,392,000	-	-	-	3,212,400	-
Accounts receivable								
Assessed contributions receivable from Member States	-	-	-	-	-	-	-	-
Voluntary contributions receivable	-	-	-	-	-	-	-	-
Advances receivable	-	-	-	-	-	-	-	-
Inter-fund balances	-	-	-	-	200,000	-	200,000	-
Inter-entity balances	-	-	-	-	-	-	-	-
Other	3,715	-	2,845	-	-	-	6,560	-
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	1,824,115	-	1,394,845	-	200,000	-	3,418,960	-
LIABILITIES								
Contributions or payments received in advance	-	-	-	-	-	-	-	-
Borrowings payable within one year	-	-	-	-	-	-	-	-
Unliquidated obligations	-	-	-	-	-	-	-	-
Accounts payable								
Inter-fund balances	-	-	-	-	-	-	-	-
Inter-entity balances	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Borrowings payable after one year	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
RESERVES AND FUND BALANCES								
Fund balances	1,824,115	-	1,394,845	-	200,000	-	3,418,960	-
TOTAL RESERVES AND FUND BALANCES	1,824,115	-	1,394,845	-	200,000	-	3,418,960	-
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	1,824,115	-	1,394,845	-	200,000	-	3,418,960	-

Statement VII

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
Trust Funds for the period ending 31 December 1999
(Expressed in Netherlands Guilders)

	Regional Seminars		Courses for Personnel of National Authorities (Note 28)		Verify Database		Media Requirements First Conf. States Parties (Note 29)		Voluntary Fund for Assistance (Note 30)		TOTAL	
	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98
INCOME												
Assessed contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	20,323	-	42,528	68,310	-	-	-	-	200,000	761,915	262,851	830,225
Other/Miscellaneous income												
Allocations from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	323	382	5,236	5,495	-	28	-	1,302	31,547	20,370	37,106	27,577
Currency exchange adjustments	608	-	6,312	-	-	5	-	-	-	-	6,920	5
Other/Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INCOME	21,254	382	54,076	73,805	-	33	-	1,302	231,547	782,285	306,877	857,807
EXPENDITURE	-	169	-	1,344	-	-	-	-	40	60	40	1,573
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	21,254	213	54,076	72,461	-	33	-	1,302	231,507	782,225	306,837	856,234
Prior period adjustments	-	-	(4,164)	(88)	-	-	-	-	-	-	(4,164)	(88)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	21,254	213	49,912	72,373	-	33	-	1,302	231,507	782,225	302,673	856,146
Savings on prior periods' obligations	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to/from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Credits to Member States	-	-	-	-	-	(833)	-	(30,827)	-	-	-	(31,660)
Reserves and fund balances, beginning of period	8,474	8,261	198,692	126,319	-	800	-	29,525	1,075,184	292,959	1,282,350	457,864
RESERVES AND FUND BALANCES, END OF PERIOD	29,728	8,474	248,604	198,692	-	-	-	-	1,306,691	1,075,184	1,585,023	1,282,350

STATEMENT OF ASSETS, LIABILITIES AND RESERVES AND FUND BALANCES
Trust Funds as at 31 December 1999
(Expressed in Netherlands Guilders)

	Regional Seminars		Courses for Personnel of National Authorities		Voluntary Fund for Assistance		TOTAL	
	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98	31-Dec-99	31-Dec-98
ASSETS								
Cash and term deposits	9,310	8,396	208,665	188,105	1,215,036	1,053,693	1,433,011	1,250,194
Accounts receivable								
Assessed contributions receivable from Member States	-	-	-	-	-	-	-	-
Voluntary contributions receivable	-	-	-	-	-	-	-	-
Inter-fund balances	20,323	-	39,014	5,010	79,199	16,224	138,536	21,234
Inter-entity balances	-	-	-	-	-	-	-	-
Other	95	78	925	5,577	12,456	5,267	13,476	10,922
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	29,728	8,474	248,604	198,692	1,306,691	1,075,184	1,585,023	1,282,350
LIABILITIES								
Contributions or payments received in advance	-	-	-	-	-	-	-	-
Borrowings payable within one year	-	-	-	-	-	-	-	-
Unliquidated obligations	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-
Inter-fund balances	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Borrowings payable after one year	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
RESERVES AND FUND BALANCES								
Fund Balances	29,728	8,474	248,604	198,692	1,306,691	1,075,184	1,585,023	1,282,350

TOTAL RESERVES AND FUND BALANCES	<u>29,728</u>	<u>8,474</u>	<u>248,604</u>	<u>198,692</u>	<u>1,306,691</u>	<u>1,075,184</u>	<u>1,585,023</u>	<u>1,282,350</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	<u>29,728</u>	<u>8,474</u>	<u>248,604</u>	<u>198,692</u>	<u>1,306,691</u>	<u>1,075,184</u>	<u>1,585,023</u>	<u>1,282,350</u>

**GENERAL FUND
STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 1999**

MEMBER STATES	Commission						OPCW						Commission & OPCW		
	1993		1994-1997		Sub Total		1997	1998	1999		2000	Total			
	Balance Outstanding in USD	Balance Outstanding in NLG	Balance Outstanding in NLG	Over Payments in NLG	Outstanding in NLG	Overpayments in NLG	Balance Outstanding in NLG	Balance Outstanding in NLG	Assessments in NLG	Collections in NLG	Balance Outstanding in NLG	Over Payments in NLG	Payments in advance in NLG	Balance Outstanding in NLG	Over/advance Payments in NLG
1 Afghanistan	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
2 Albania	-	-	-	-	-	-	-	2,897	3,262	-	3,262	-	-	6,159	-
3 Algeria	-	-	-	-	-	-	-	-	102,199	164,509	-	-	(62,310)	-	(62,310)
4 Argentina	-	-	-	-	-	-	-	-	1,113,322	226,843	886,479	-	-	886,479	-
5 Armenia	7,649	16,738	102,839	-	119,577	-	48,654	63,494	11,960	-	11,960	-	-	243,685	-
6 Australia	-	-	-	-	-	-	-	-	1,611,273	3,181,973	-	-	(1,570,700)	-	(1,570,700)
7 Austria	-	-	-	-	-	-	-	-	1,023,082	1,413,602	-	(390,520)	-	-	(390,520)
8 Azerbaijan	19,525	42,726	197,305	-	240,031	-	-	-	-	-	-	-	-	240,031	-
9 Bahamas	-	-	-	(18,054)	-	(18,054)	-	-	-	-	-	-	-	-	(18,054)
10 Bahrain	-	-	-	-	-	-	-	-	18,483	12,143	6,340	-	-	6,340	-
11 Bangladesh	-	-	-	-	-	-	-	-	10,872	14,919	-	(4,047)	-	-	(4,047)
12 Belarus	-	-	-	-	-	-	-	-	89,153	89,043	110	-	-	110	-
13 Belgium	-	-	-	-	-	-	-	-	1,199,213	1,652,575	-	(453,362)	-	-	(453,362)
14 Benin	-	-	5,896	-	5,896	-	-	7,143	2,174	-	2,174	-	-	15,213	-
15 Bolivia	-	-	-	-	-	-	-	1,936	7,611	-	7,611	-	-	9,547	-
16 Bosnia-Herzegovina	-	-	-	-	-	-	-	-	5,436	14,406	-	(8,970)	-	-	(8,970)
17 Botswana	-	-	-	-	-	-	-	-	10,872	6,791	4,081	-	-	4,081	-
18 Brazil	-	-	-	-	-	-	-	-	1,598,226	51,174	1,547,052	-	-	1,547,052	-
19 Brunei Darussalam	-	-	-	-	-	-	-	-	21,745	42,928	-	(5,611)	(15,572)	-	(21,183)
20 Bulgaria	-	-	-	-	-	-	-	-	20,657	46,979	-	(26,322)	-	-	(26,322)
21 Burkina Faso	887	1,941	12,898	-	14,839	-	5,548	12,244	2,174	-	2,174	-	-	34,805	-
22 Burundi	887	1,941	12,898	-	14,839	-	-	3,061	1,080	-	1,080	-	-	18,980	-
23 Cambodia	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
24 Cameroon	-	-	-	-	-	-	-	-	14,134	16,427	-	(2,293)	-	-	(2,293)
25 Canada	-	-	-	-	-	-	-	-	2,994,229	5,887,791	-	-	(2,893,562)	-	(2,893,562)
26 Cape Verde	-	-	8,967	-	8,967	-	-	-	-	-	-	-	-	8,967	-
27 Central African Republic (the)	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
28 Chad	-	-	9,885	-	9,885	-	-	-	-	-	-	-	-	9,885	-
29 Chile	-	-	-	-	-	-	-	-	142,427	45,492	96,935	-	-	96,935	-
30 China	-	-	-	-	-	-	-	-	1,057,874	1,057,874	-	-	-	-	-
31 Colombia	-	-	-	(16,358)	-	(16,358)	-	-	-	-	-	-	-	-	(16,358)
32 Comoros (the)	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
33 Congo (the)	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
34 Cook Islands	-	-	6,953	-	6,953	-	8,877	12,244	1,080	-	1,080	-	-	29,154	-
35 Costa Rica	-	-	2,571	-	2,571	-	8,877	12,244	17,396	-	17,396	-	-	41,088	-
36 Cote d'Ivoire	-	-	-	-	-	-	-	-	9,785	13,832	-	(4,047)	-	-	(4,047)
37 Croatia	-	-	-	-	-	-	-	63,849	39,140	-	39,140	-	-	102,989	-
38 Cuba	-	-	-	-	-	-	-	-	28,268	10,303	17,966	-	-	17,966	-
39 Cyprus	-	-	-	-	-	-	-	10,320	36,966	-	36,966	-	-	47,286	-
40 Czech Republic	-	-	-	-	-	-	-	-	131,555	244,883	-	-	(113,328)	-	(113,328)

GENERAL FUND
STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 1999

MEMBER STATES	Commission						OPCW						Commission & OPCW		
	1993		1994-1997		Sub Total		1997	1998	1999		2000	Total			
	Balance Outstanding in USD	Balance Outstanding in NLG	Balance Outstanding in NLG	Over Payments in NLG	Outstanding in NLG	Overpayments in NLG	Balance Outstanding in NLG	Balance Outstanding in NLG	Assessments in NLG	Collections in NLG	Balance Outstanding in NLG	Over Payments in NLG	Payments in advance in NLG	Balance Outstanding in NLG	Over/advance Payments in NLG
41 Democratic Republic of the Congo (the)	835	1,827	12,898	-	14,725	-	-	-	-	-	-	-	-	14,725	-
42 Denmark	-	-	-	-	-	-	-	751,275	1,167,036	-	(415,761)	-	-	-	(415,761)
43 Djibouti	147	322	12,898	-	13,220	-	-	-	-	-	-	-	-	13,220	-
44 Dominica	-	-	10,929	-	10,929	-	-	-	-	-	-	-	-	10,929	-
45 Dominican Republic (the)	1,775	3,884	16,342	-	20,226	-	-	-	-	-	-	-	-	20,226	-
46 Ecuador	-	-	10,562	-	10,562	-	19,462	25,398	21,745	-	21,745	-	-	77,167	-
47 El Salvador	887	1,941	12,898	-	14,839	-	8,877	12,244	13,047	-	13,047	-	-	49,007	-
48 Equatorial Guinea	887	1,941	12,898	-	14,839	-	8,877	12,244	1,080	-	1,080	-	-	37,040	-
49 Estonia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50 Ethiopia	-	-	-	-	-	-	-	-	6,523	12,878	-	(3,298)	(3,057)	-	(6,355)
51 Fiji	-	-	-	-	-	-	-	7,700	4,349	-	4,349	-	-	12,049	-
52 Finland	-	-	-	-	-	-	-	-	589,278	1,164,389	-	(278,301)	(296,810)	-	(575,111)
53 France	-	-	-	-	-	-	-	-	7,110,477	9,992,242	-	(2,881,765)	-	-	(2,881,765)
54 Gabon	1,775	3,884	16,342	-	20,226	-	-	-	-	-	-	-	-	20,226	-
55 Gambia	-	-	-	-	-	-	-	6,720	1,080	-	1,080	-	-	7,800	-
56 Georgia	18,638	40,785	193,861	-	234,646	-	107,038	139,687	20,657	-	20,657	-	-	502,028	-
57 Germany	-	-	-	-	-	-	-	-	10,663,540	14,730,330	-	(4,066,790)	-	-	(4,066,790)
58 Ghana	887	1,941	12,898	-	14,839	-	5,548	12,244	7,611	-	7,611	-	-	40,242	-
59 Greece	-	-	-	-	-	-	-	-	381,617	552,189	-	(170,572)	-	-	(170,572)
60 Grenada	-	-	184	-	184	-	-	-	-	-	-	-	-	184	-
61 Guatemala	1,775	3,884	25,796	-	29,680	-	-	-	-	-	-	-	-	29,680	-
62 Guinea	887	1,941	12,898	-	14,839	-	6,658	12,244	3,262	-	3,262	-	-	37,003	-
63 Guinea-Bissau	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
64 Guyana	147	322	12,898	-	13,220	-	3,329	12,244	1,080	-	1,080	-	-	29,873	-
65 Haiti	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
66 Holy See	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67 Honduras	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
68 Hungary	-	-	-	-	-	-	-	-	130,467	257,563	-	-	(127,096)	-	(127,096)
69 Iceland	-	-	-	-	-	-	-	-	34,791	68,683	-	-	(33,892)	-	(33,892)
70 India	-	-	-	-	-	-	-	-	325,081	464,232	-	(139,151)	-	-	(139,151)
71 Indonesia	-	-	-	-	-	-	-	10,688	200,050	-	200,050	-	-	210,738	-
72 Iran (Islamic Republic of)	-	-	-	-	-	-	-	-	209,835	58,403	151,432	-	-	151,432	-
73 Ireland	-	-	-	-	-	-	-	-	243,539	480,786	-	-	(237,247)	-	(237,247)
74 Israel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75 Italy	-	-	-	-	-	-	-	-	5,905,827	8,262,410	-	(2,356,583)	-	-	(2,356,583)
76 Jamaica	-	-	-	(28)	-	(28)	-	-	-	-	-	-	-	-	(28)
77 Japan	-	-	-	-	-	-	-	-	21,727,179	21,727,179	-	-	-	-	-
78 Jordan	-	-	-	-	-	-	-	-	6,523	2,066	4,457	-	-	4,457	-
79 Kazakhstan	29,243	63,992	324,453	-	388,445	-	-	-	-	-	-	-	-	388,445	-
80 Kenya	-	-	-	-	-	-	-	-	7,611	6,344	1,267	-	-	1,267	-
81 Kuwait	-	-	-	-	-	-	-	-	145,689	281,259	-	-	(135,570)	-	(135,570)

GENERAL FUND
STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 1999

MEMBER STATES	Commission						OPCW						Commission & OPCW		
	1993		1994-1997		Sub Total		1997	1998	1999		2000	Total			
	Balance Outstanding in USD	Balance Outstanding in NLG	Balance Outstanding in NLG	Over Payments in NLG	Outstanding in NLG	Overpayments in NLG	Balance Outstanding in NLG	Balance Outstanding in NLG	Assessments in NLG	Collections in NLG	Balance Outstanding in NLG	Over Payments in NLG	Payments in advance in NLG	Balance Outstanding in NLG	Over/advance Payments in NLG
82 Kyrgyzstan	5,322	11,646	53,133	-	64,779	-	-	-	-	-	-	-	-	64,779	-
83 Lao People's Democratic Republic	-	-	6,804	-	6,804	-	8,877	12,244	1,080	-	1,080	-	-	29,005	-
84 Latvia	-	-	-	-	-	-	-	-	26,093	73,072	-	(46,979)	-	-	(46,979)
85 Lesotho	-	-	-	-	-	-	-	-	2,174	5,162	-	(2,988)	-	-	(2,988)
86 Liberia	-	-	12,405	-	12,405	-	-	-	-	-	-	-	-	12,405	-
87 Liechtenstein	-	-	-	(149)	-	(149)	-	-	-	-	-	-	-	-	(149)
88 Lithuania	-	-	-	-	-	-	-	-	23,919	28,059	-	(4,140)	-	-	(4,140)
89 Luxembourg	-	-	-	-	-	-	-	-	73,932	40,407	33,525	-	-	33,525	-
90 Madagascar	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
91 Malawi	887	1,941	12,898	-	14,839	-	-	6,122	2,174	-	2,174	-	-	23,135	-
92 Malaysia	-	-	-	(21,257)	-	(21,257)	-	-	-	-	-	-	-	-	(21,257)
93 Maldives	-	-	-	-	-	-	8,345	12,244	1,080	-	1,080	-	-	21,669	-
94 Mali	887	1,941	12,898	-	14,839	-	8,877	12,244	2,174	-	2,174	-	-	38,134	-
95 Malta	-	-	-	-	-	-	-	-	15,221	19,268	-	(4,047)	-	-	(4,047)
96 Marshall Islands	-	-	-	(1,370)	-	(1,370)	-	-	-	-	-	-	-	-	(1,370)
97 Mauritania	887	1,941	12,898	-	14,839	-	-	10,204	1,080	-	1,080	-	-	26,123	-
98 Mauritius	-	-	-	-	-	-	-	-	9,785	14,876	-	-	(5,091)	-	(5,091)
99 Mexico	-	-	-	-	-	-	-	-	1,065,484	1,101,137	-	(35,653)	-	-	(35,653)
100 Micronesia (Fed. States of)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
101 Monaco	-	-	-	-	-	-	-	-	4,349	8,586	-	(4,047)	(190)	-	(4,237)
102 Mongolia	-	-	8,119	-	8,119	-	8,877	12,244	2,174	-	2,174	-	-	31,414	-
103 Morocco	-	-	-	-	-	-	-	-	44,576	58,042	-	(13,466)	-	-	(13,466)
104 Myanmar	-	-	-	(1,954)	-	(1,954)	-	-	-	-	-	-	-	-	(1,954)
105 Namibia	-	-	-	-	-	-	-	-	7,611	15,018	-	(7,407)	-	-	(7,407)
106 Nauru	-	-	9,381	-	9,381	-	-	-	-	-	-	-	-	9,381	-
107 Nepal	-	-	-	-	-	-	-	-	4,349	1,713	2,636	-	-	2,636	-
108 Netherlands	-	-	-	-	-	-	-	-	1,773,271	3,501,782	-	(713,707)	(1,014,804)	-	(1,728,511)
109 New Zealand	-	-	-	-	-	-	-	-	240,278	474,347	-	-	(234,069)	-	(234,069)
110 Nicaragua	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
111 Niger	887	1,941	12,898	-	14,839	-	8,877	12,244	2,174	-	2,174	-	-	38,134	-
112 Nigeria	-	-	94,903	-	94,903	-	-	-	-	-	-	-	-	94,903	-
113 Norway	-	-	-	-	-	-	-	-	663,210	914,579	-	(251,369)	-	-	(251,369)
114 Oman	-	-	-	-	-	-	-	-	55,449	73,404	-	(17,955)	-	-	(17,955)
115 Pakistan	-	-	-	-	-	-	-	-	64,146	76,211	-	(12,065)	-	-	(12,065)
116 Panama	-	-	-	-	-	-	-	-	14,134	19,843	-	(5,709)	-	-	(5,709)
117 Papua New Guinea	-	-	-	-	-	-	-	6,765	7,611	-	7,611	-	-	14,376	-
118 Paraguay	-	-	-	-	-	-	7,773	12,244	15,221	-	15,221	-	-	35,238	-
119 Peru	-	-	-	-	-	-	-	47,484	103,287	-	103,287	-	-	150,771	-
120 Philippines	-	-	-	-	-	-	-	-	86,978	22,591	64,387	-	-	64,387	-
121 Poland	-	-	-	-	-	-	-	-	225,056	373,184	-	(148,128)	-	-	(148,128)
122 Portugal	-	-	-	-	-	-	-	-	453,374	579,058	-	(125,684)	-	-	(125,684)

GENERAL FUND
STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 1999

MEMBER STATES	Commission						OPCW						Commission & OPCW		
	1993		1994-1997		Sub Total		1997	1998	1999			2000	Total		
	Balance Outstanding in USD	Balance Outstanding in NLG	Balance Outstanding in NLG	Over Payments in NLG	Outstanding in NLG	Overpayments in NLG	Balance Outstanding in NLG	Balance Outstanding in NLG	Assessments in NLG	Collections in NLG	Balance Outstanding in NLG	Over Payments in NLG	Payments in advance in NLG	Balance Outstanding in NLG	Over/advance Payments in NLG
123 Qatar	-	-	-	-	-	-	-	-	35,879	12,026	23,853	-	-	23,853	-
124 Republic of Korea	-	-	-	-	-	-	-	-	1,080,705	1,448,781	-	(368,076)	-	-	(368,076)
125 Republic of Moldova	13,313	29,133	138,091	-	167,224	-	77,846	101,591	19,570	-	19,570	-	-	366,231	-
126 Romania	-	-	-	-	-	-	-	-	72,844	140,175	-	(67,331)	-	-	(67,331)
127 Russian Federation	-	-	-	-	-	-	-	-	1,616,709	1,856,295	-	(239,586)	-	-	(239,586)
128 Rwanda	442	967	12,898	-	13,865	-	-	-	-	-	-	-	-	13,865	-
129 Saint Kitts and Nevis	-	-	2,197	-	2,197	-	-	-	-	-	-	-	-	2,197	-
130 Saint Lucia	-	-	-	-	-	-	-	-	1,080	5,344	-	(4,264)	-	-	(4,264)
131 Saint Vincent and the Grenadines	147	322	12,898	-	13,220	-	-	-	-	-	-	-	-	13,220	-
132 Samoa	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
133 San Marino	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
134 Saudi Arabia	-	-	-	-	-	-	-	-	618,633	880,521	-	(261,888)	-	-	(261,888)
135 Senegal	-	-	7,928	-	7,928	-	-	5,102	6,523	-	6,523	-	-	19,553	-
136 Seychelles	887	1,941	12,898	-	14,839	-	8,877	12,244	2,174	-	2,174	-	-	38,134	-
137 Sierra Leone	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
138 Singapore	-	-	-	-	-	-	-	-	191,352	72,959	118,393	-	-	118,393	-
139 Slovak Republic	-	-	-	-	-	-	-	-	42,402	78,312	-	(35,910)	-	-	(35,910)
140 Slovenia	-	-	-	-	-	-	-	-	66,321	93,144	-	(26,823)	-	-	(26,823)
141 South Africa	-	-	-	-	-	-	-	-	397,926	785,570	-	-	(387,644)	-	(387,644)
142 Spain	-	-	-	-	-	-	-	-	2,814,836	3,883,153	-	(1,068,317)	-	-	(1,068,317)
143 Sri Lanka	-	-	-	-	-	-	-	-	13,047	25,757	-	(4,047)	(8,663)	-	(12,710)
144 Suriname	-	-	-	-	-	-	-	-	4,349	4,997	-	(648)	-	-	(648)
145 Swaziland	-	-	-	-	-	-	-	-	2,174	5,344	-	(3,170)	-	-	(3,170)
146 Sweden	-	-	-	-	-	-	-	-	1,178,556	1,730,670	-	(552,114)	-	-	(552,114)
147 Switzerland	-	-	-	-	-	-	-	-	1,320,983	1,864,120	-	(543,137)	-	-	(543,137)
148 Tajikistan	4,437	9,709	38,818	-	48,527	-	19,462	25,398	5,436	-	5,436	-	-	98,823	-
149 Tanzania	-	-	2,582	-	2,582	-	-	6,122	-	-	-	-	-	8,704	-
150 Thailand	-	-	-	(19,725)	-	(19,725)	-	-	-	-	-	-	-	-	(19,725)
151 The former Yugoslav Republic of Macedonia	-	-	-	-	-	-	6,658	12,244	4,349	-	4,349	-	-	23,251	-
152 Togo	887	1,941	12,898	-	14,839	-	8,877	12,244	1,080	-	1,080	-	-	37,040	-
153 Trinidad & Tobago	-	-	-	-	-	-	21,894	38,096	18,483	-	18,483	-	-	78,473	-
154 Tunisia	-	-	-	-	-	-	-	-	30,442	63,477	-	(33,035)	-	-	(33,035)
155 Turkey	-	-	-	-	-	-	-	-	478,381	944,401	-	-	(466,020)	-	(466,020)
156 Turkmenistan	884	1,934	53,080	-	55,014	-	29,192	38,096	8,698	-	8,698	-	-	131,000	-
157 Uganda	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	-
158 Ukraine	-	-	-	-	-	-	-	228,543	328,343	-	328,343	-	-	556,886	-
159 United Arab Emirates	8,669	18,970	124,044	-	143,014	-	-	-	-	-	-	-	-	143,014	-
160 United Kingdom of Great Britain and Northern Ireland	-	-	-	-	-	-	-	-	5,533,995	10,927,120	-	-	(5,393,125)	-	(5,393,125)
161 United Republic of Tanzania	-	-	9,454	-	9,454	-	-	-	3,262	-	3,262	-	-	12,716	-

GENERAL FUND
STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 1999

MEMBER STATES	Commission						OPCW						Commission & OPCW		
	1994-1997					Sub Total	1997	1998	1999			2000	Total		
	Balance Outstanding in USD	Balance Outstanding in NLG	Balance Outstanding in NLG	Over Payments in NLG	Outstanding in NLG				Overpayments in NLG	Balance Outstanding in NLG	Balance Outstanding in NLG		Assessments in NLG	Collections in NLG	Balance Outstanding in NLG
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
162 United States of America	-	-	-	-	-	-	-	-	27,010,001	37,126,586	-	(10,116,585)	-	-	(10,116,585)
163 Uruguay	-	-	-	-	-	-	-	48,983	52,187	-	52,187	-	-	101,170	
164 Uzbekistan	-	-	-	-	-	-	-	-	40,227	81,855	-	(41,628)	-	-	(41,628)
165 Venezuela	-	-	-	-	-	-	-	207,326	191,352	-	191,352	-	-	398,678	
166 Viet Nam	887	1,941	12,898	-	14,839	-	-	3,061	7,611	-	7,611	-	-	25,511	
167 Yemen	-	-	6,021	-	6,021	-	-	-	-	-	-	-	-	6,021	
168 Zambia	887	1,941	12,898	-	14,839	-	-	-	-	-	-	-	-	14,839	
169 Zimbabwe	-	-	-	-	-	-	-	5,715	9,785	-	9,785	-	-	15,500	

GENERAL FUND
STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 1999

	Commission						OPCW						Commission & OPCW		
	1993		1994-1997		Sub Total		1997	1998	1999			2000	Total		
	Balance Outstanding in USD	Balance Outstanding in NLG	Balance Outstanding in NLG	Over Payments in NLG	Outstanding in NLG	Overpayments in NLG	Balance Outstanding in NLG	Balance Outstanding in NLG	Assessments in NLG	Collections in NLG	Balance Outstanding in NLG	Over Payments in NLG	Payments in advance in NLG	Balance Outstanding in NLG	Over/advance Payments in NLG
MEMBER STATES															
Sub-total:	138,672	303,453	1,912,581	(78,895)	2,216,034	(78,895)	456,177	1,329,649	108,040,000	142,853,422	4,152,625	(25,967,296)	(12,998,750)	8,154,485	(39,044,941)
NEW MEMBER STATES															
1 Holy See									634	1,688	-	-	(1,054)	-	(1,054)
2 Nigeria									25,369	-	25,369	-	-	25,369	-
3 Sudan									4,440	-	4,440	-	-	4,440	-
4 Estonia									9,513	15,662	-	(6,149)	-	-	(6,149)
5 Micronesia									544	1,623	-	(1,079)	-	-	(1,079)
6 Nicaragua									91	-	91	-	-	91	-
7 Liechtenstein									544	544	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	41,135	19,517	29,900	(7,228)	(1,054)	29,900	(8,282)
TOTAL	138,672	303,453	1,912,581	(78,895)	2,216,034	(78,895)	456,177	1,329,649	108,081,135	142,872,939	4,182,525	(25,974,524)	(12,999,804)	8,184,385	(39,053,223)

Notes to the Financial Statements

General Fund (Statements I - IV)

Note 1 Statement of the Organisation's objectives

The Organisation for the Prohibition of Chemical Weapons, hereinafter called the OPCW, is an international organisation which was established by the States Parties to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, hereinafter called the Convention, which entered into force on 29 April 1997. Its seat is in The Hague, the Netherlands. The purpose of the OPCW is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification of compliance with it, and to provide a forum for consultation and co-operation among States Parties.

Note 2 Summary of significant accounting policies

- a) The accounts of the OPCW are maintained in accordance with the OPCW Financial Regulations adopted by the Conference of the States Parties at its First Session on 14 May 1997 and in conformity with the United Nations System Accounting Standards which reflect generally accepted accounting principles applicable to international intergovernmental organisations.
- b) The accounts of the OPCW are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or group of funds of the same nature.
- c) The financial period of the OPCW is the calendar year, except for the first financial period of the OPCW which ran from 1 June to 31 December 1997.
- d) Income, expenditure, assets and liabilities except for items in notes 2 (j) and 2 (n) below are recognised on an accrual basis of accounting modified to reflect unliquidated obligations at the year end.
- e) The financial statements of the OPCW are presented in Netherlands Guilders. Accounts maintained in other currencies are translated into Netherlands Guilders at the time of the transaction at rates of exchange established by the Assistant Secretary-General for Financial Services of the United Nations. In respect of such currencies, the financial statements reflect the cash, investments and current accounts receivable and payable in currencies other than Netherlands Guilders, translated at the applicable United Nations rates of exchange in effect on the date of the financial statements. Exchange gains or losses resulting from the revaluation of the monetary assets and liabilities at the applicable United Nations rates of exchange on the date of the financial statements are shown in the financial statements as miscellaneous income or expenditure.
- f) Assessed contributions from Member States are recorded as income on an accrual basis. Assessments are established on the basis of the scale of assessments determined by the Conference of the States Parties. The scale is determined 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. Payments made by a Member State are credited first to the Working Capital Fund and then to contributions due, in the order in which the Member State was assessed.

- g) Voluntary contributions are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times or on the basis of the receipt of the contribution. Pledges received for future years are recorded as deferred income.
- h) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown as cash in the statements of assets and liabilities. All investments are stated at cost, apart from changes in value arising from the retranslation of currencies as provided for in subparagraph (e) above.
- i) Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in the subsequent financial periods. Deferred income relates to income items chargeable as income to subsequent financial periods.
- j) Furniture, equipment and other non-expendable property valued at NLG 2,000 and more per unit and with a serviceable life of more than one year are not included in the assets of the Organisation. Acquisitions are charged to expenditure against budgetary accounts in the year of purchase, see Note 22.
- k) Obligations which are established during the financial period ending 31 December 1999 and are unliquidated as at 31 December 1999 are recognised as expenditure against the available balance of the 1999 budget appropriations, when they are based on a contract, purchase order, agreement or other form of undertaking entered into by the Director-General on behalf of the OPCW before the end of the financial period or are based on a liability recognised by the OPCW. Goods (supplies, furniture, equipment, and other property) ordered before the end of the financial period but received in the following financial period are treated as unliquidated obligations. However, all services, including salaries, are only obligated to the extent that they are rendered up to the end of the financial period. The last date for the recording of obligations relating to the financial period is the last day in the first month following the financial period to which the obligations pertain. Liabilities incurred during the financial period for which no invoices have been received by the last day in the first month following the financial period will be recorded on the basis of best estimates in the absence of actual figures.
- l) Separation benefits payable to employees on separation from the service of the OPCW are recorded as expenditure in the year in which the benefits are paid.
- m) All other income is classified as miscellaneous income, for credit to the General Fund, except:
 - (i) assessed contribution to the budget;
 - (ii) direct refunds of expenditure made during the financial year; and
 - (iii) advances or special accounts, deposits or voluntary contributions to trust funds and/or reserve funds.

In accordance with Financial Rule 7.1.01, miscellaneous income will also include the contributions of new States Parties.

- n) Income in respect of reimbursement of verification costs under Articles IV and V of the Chemical Weapons Convention is recognised at the time when the respective invoices are sent to the States Parties concerned.

Note 3 Format and Presentation of Financial Statements

The financial statements for the period ended 31 December 1999 have been prepared in accordance with the United Nations System Accounting Standards which were approved by the Administrative Committee on Coordination (ACC) in response to a request by the United Nations General Assembly, in its decision 46/445 of 20 December 1991 and which are contained in Annex III of document ACC/1997/14 of 1 October 1997.

Note 4 Income: Assessed Contributions (Statement I)

The status of assessed contributions as at 31 December 1999 is shown in Schedule 1 to the financial statements.

Note 5 Miscellaneous income - Assessed contributions - New Member States (Statement I)

As shown in Schedule 1, the miscellaneous income of NLG 41,135 relates to 7 Member States which deposited their instruments of ratification subsequent to the adoption of the scale of assessments for the 1999 OPCW Budget by the Third Session of the Conference of the States Parties.

Note 6 Miscellaneous income - Bank interest (Statement I)

Bank interest consists of interest earned on current accounts in the amount of NLG 136,458 and interest earned on deposit accounts in the amount of NLG 2,149,173.

Note 7 Miscellaneous income-other (Statement I)

Miscellaneous income-other is comprised of the following items:-

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Reimbursement of verification costs under Article IV and V of the Convention	11,964,814	6,161,725
Recoverable charges from OPCW Foundation for OPCW building rent, utilities, maintenance	6,594,065	5,675,386
Other	<u>245,610</u>	<u>-</u>
Total	<u>18,804,489</u>	<u>11,837,111</u>

The balance of NLG 11,964,814 represents invoices for the reimbursement of costs incurred by the OPCW in carrying out inspections pursuant to Articles IV and V of the Chemical Weapons Convention during the period from 1 October 1998 to 30 September 1999. Included in the balance of NLG 11,964,814 is an amount of NLG 59,122 which relates to inspections carried out to a country which is not a State Party of the OPCW. At 31 December 1999, the outstanding receivable balance of NLG 8,125,049 is shown under "accounts receivable-other".

The amount of NLG 6,594,065 represents rent, utilities and maintenance for the OPCW building for the period January to December 1999 which was first paid by the Technical Secretariat and is recoverable from the OPCW Foundation. At 31 December 1999, the unpaid balance of NLG 155,548 is included under "accounts receivable-other". These charges are borne by the Host country for three years until February 2001. Thereafter the costs are covered by the OPCW.

Note 8 Credits to Member States (Statement I)

The cash surplus of NLG 40,093,352 relating to the financial period from 1 June to 31 December 1997 was credited to States Parties in June 1999 in accordance with the provisions of Financial Regulation 6.3.

Note 9 Cash and term deposits (Statement II)

Cash as at 31 December 1999 is analysed as follows:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Cash in hand	1,961	8,456
Cash at banks		
in current accounts	1,346,875	4,499,776
in term deposit accounts	<u>50,547,062</u>	<u>38,547,966</u>
Total cash	<u>51,895,898</u>	<u>43,056,198</u>

The balance of NLG 1,961 represents only cash and no cheques.

The breakdown of the term deposit accounts is as follows:

<u>Name of Bank</u>	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
San Paolo Bank, Amsterdam	6,000,000	1,527,600
ING Bank, The Hague	2,135,197	10,115,002
Banque Paribas, Paris	14,000,000	-
Skandinaviska Enskilda Banken, London	5,058,914	8,000,000
ABN AMRO Bank, The Hague	10,600,000	5,785,285
Rabobank, The Hague	<u>12,752,951</u>	<u>13,120,079</u>
Total term deposits	<u>50,547,062</u>	<u>38,547,966</u>

Note 10 Assessed contributions receivable (Statement II)

Assessed contributions receivable as at 31 December 1999 are shown in Schedule 1.

Note 11 Accounts receivable - other (Statement II)

Accounts receivable - other as at 31 December 1999 are analysed as follows:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Staff members	2,350,609	1,072,877
Value-added tax claimable for the third and fourth quarter of 1999	1,139,788	1,023,433
Charges recoverable from OPCW Foundation	338,793	1,815,556
Reimbursements of verification costs under Article IV and V of the Convention	8,125,049	5,647,948
Other	<u>927,087</u>	<u>846,446</u>
Total accounts receivable - other	<u>12,881,326</u>	<u>10,406,260</u>

Note 12 Inter-fund balances (Statement II)

The inter-fund balances receivable as at 31 December 1999 are composed of the following items:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Due from Working Capital Fund (Note 25, Statement II)	-	6,112
Total inter-fund balances receivable	<u>-</u>	<u>6,112</u>

Note 13 Other assets (Statement II)

Other assets as at 31 December 1999 are analysed below:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Prepaid rent	1,755,897	428,072
Education grant advances	4,020,166	3,325,959
Other prepaid expenses	<u>181,510</u>	<u>164,973</u>
Total other assets	<u>5,957,573</u>	<u>3,919,004</u>

Prepaid rent includes an amount of NLG 1,472,589 which represents rent for the OPCW building for the first quarter of the year 2000 and an amount of NLG 243,750 in respect of rental of a conference room in the Netherlands Congress Centre for the period 1 January 2000 to 30 June 2001. The rent agreement was concluded between the Commission and the

Netherlands Congress Centre on 25 June 1993 for a total rent of NLG 1,300,000 covering the period from 26 June 1993 until 30 June 2001. Of this, NLG 1,050,000 was contributed by the OPCW Foundation on behalf of the Government of the Netherlands. The balance of NLG 250,000 fell to the Commission. An amount of NLG 50,000 was repaid to the OPCW Foundation in 1993. The remaining NLG 200,000 were provided by the OPCW Foundation to the Commission in the form of an interest-free loan to be repaid at the rate of NLG 50,000 per annum over a period of four years from 1994 to 1997 inclusive.

At 31 December 1999, the remaining balance of the prepaid rent is shown as an asset under "other assets" and the corresponding rent contribution is shown as liability under "contributions or payments received in advance" (Note 14).

Note 14 Contributions or payments received in advance (Statement II)

The balance as at 31 December 1999 is analysed below:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Payments received in excess of assessed contributions and in advance (Schedule 1)	39,053,223	10,023,885
Contribution towards the rental of a conference room for the period 1 January 2000 to 30 June 2001	196,875	328,125
Other payments received in advance	<u>1,500</u>	-
Total contributions or payments received in advance	<u>39,251,598</u>	<u>10,352,010</u>

The contribution to the rental of a conference room in the Netherlands Congress Centre was paid by the OPCW Foundation on behalf of the Government of the Netherlands.

Note 15 Unliquidated obligations (Statement II and IV)

The break-down of the unliquidated obligations by programme as at 31 December 1999 is shown in Statement IV to the financial statements. Included in the balance of unliquidated obligations is an amount of NLG 120,000 in respect of consultancy services for obtaining accreditation for the OPCW Laboratory. The Executive Council has approved as an exception at its Seventeenth Session to fully obligate the NLG 120,000 against the 1999 budget, although a considerable part of the consultancy services will be rendered in the year 2000.

Note 16 Inter-fund balances (Statement II)

The inter-fund balances payable as at 31 December 1999 are composed of the following items:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Due to Provident Fund (Note 7, Provident Fund statement II)	15,938	1,269,524
Due to Voluntary Fund for Assistance	79,199	16,224

Due to Working Capital Fund	2,299,883	-
Due to Trust Fund for Courses for Personnel of National Authorities	39,014	5,010
Due to Special Account for the funding of a Post Classification Study	200,000	-
Due to Trust Fund for Regional Seminars	<u>20,323</u>	-
Total inter-fund balances payable	<u>2,654,357</u>	<u>1,290,758</u>

Note 17 Accounts payable - other (Statement II)

Accounts payable - other as at 31 December 1999 are analysed as follows:

	<u>1999</u>	<u>1998</u>
	<u>NLG</u>	<u>NLG</u>
Staff members	1,252,099	1,036,957
Vendors	3,839,149	3,741,961
Other	<u>39,000</u>	<u>995,156</u>
Total accounts payable - other	<u>5,130,248</u>	<u>5,774,074</u>

Note 18 Status of appropriations (Statement IV)

The appropriations for the financial period 1999 in the total amount of NLG 137,748,000 were approved by the Conference of the States Parties at its Third Session (C-III/DEC.17). The appropriations were financed from assessed contributions by all States Parties in the total amount of NLG 108,040,000 and from miscellaneous income in the total amount of NLG 29,708,000.

Note 19 Transfers of funds (Statement IV)

Transfers within the General Fund

During 1999 five transfers were made between the two chapters, three transfers were made between programmes and twenty-seven transfers within programmes and sub-programmes. All transfers were made in accordance with Financial Regulations 4.5 and 4.6, Financial Rule 4.5.01 and the decision made by the Conference at its Third Session (C-III/DEC.16).

Transfers from the General Fund to special accounts

In accordance with the decision of the Conference at its Fourth Session to set up three special accounts (see Note 26), three transfers in the total amount of NLG 3,412,400 were made from the General Fund to the special accounts, see statements I, IV and V.

Note 20 Amounts written off, losses and fraud

During 1999 no write-offs of assets were made and no cases of fraud or presumptive fraud were reported.

Note 21 Ex-gratia payments

During 1999 no ex-gratia payments were made.

Note 22 Non-expendable property

As stated in Note 2(j) above, non-expendable property is not included in the assets of the Organisation. Total non-expendable property accumulated at cost value as at 31 December 1999 is as follows:

	<u>1999</u>	<u>1998</u>
	<u>NLG</u>	<u>NLG</u>
Office furniture and equipment	11,373,813	2,562,643
Motor vehicles	424,816	301,128
Data-processing equipment	9,072,803	7,903,236
Inspection and laboratory equipment	11,539,575	10,306,246
Training equipment	153,355	89,645
Medical equipment	84,669	80,069
Office furniture and equipment on loan	<u>251,223</u>	-
Total	<u>32,900,254</u>	<u>21,242,967</u>

Note 23 Separation benefits

Under the Staff Regulations and Rules of the OPCW, staff members of the OPCW are eligible on separation to receive certain benefits from the service of the OPCW. The expenditures are recorded for the year in which the benefits are paid. Entitlements and corresponding liabilities as at 31 December 1999 are estimated as follows:

	<u>1999</u>	<u>1998</u>
	<u>NLG</u>	<u>NLG</u>
Repatriation grants	6,605,812	3,793,100
Travel and removal of household effects	8,470,000	8,460,900
Accrued annual leave	<u>5,358,280</u>	<u>4,047,600</u>
Total	<u>20,434,092</u>	<u>16,301,600</u>

Working Capital Fund (Statements I and II)

Note 24 Authority for establishment of the Working Capital Fund of the OPCW

A Working Capital Fund in the amount of NLG 10,000,000 was established by the Conference of the States Parties at its First Session. The Working Capital Fund, which is used to finance initial budgetary expenditures pending the receipt of assessed contributions, is financed from advances by all States Parties in accordance with the scale of assessments determined by the Conference. On 10 December 1999 an amount of NLG 2,581,127 was transferred to the General Fund for the bridge-financing of expenditure. The amount was reimbursed to the Working Capital Fund in full on 6 January 2000.

Note 25 Assets and Liabilities (Statement II)

As at 31 December 1999, the total advances paid amounted to NLG 10,448,382. The difference of NLG 2,299,883 between the cash of NLG 8,148,499 and the advances paid

represents a balance due to the Working Capital Fund. The cash consists of cash in current accounts of NLG 10,234 and cash in term deposit accounts of NLG 8,138,265.

As of 31 December 1999, the fund balance of the Working Capital Fund was NLG 10,578,211, as in accordance with Financial Regulation 6.5 the level of the Working Capital Fund was increased by the amounts totaling NLG 7,145 that the new States Parties were required to pay.

Special Accounts (Statements V and VI)

Note 26 Authority and purpose for the establishment of the special accounts

The Conference has authorised the establishment of the following three special accounts at its Fourth Session from 28 June to 2 July 1999 in accordance with Financial Regulation 6.9:-

- a) A special account for the OPCW Equipment Store. The purpose of the special account is to provide a basis for evaluating new technologies and samples of new equipment, the availability of which cannot be forecast on a calendar basis, and for purchasing new equipment approved by the Conference of the States Parties, which cannot necessarily be accomplished within the calendar year. Additionally, the purpose is to provide an account from which to make payments for reimbursements to States Parties for costs incurred in disposing of or decontaminating equipment on-site. To date, no such payments have been made, and there appears to be no possibility of anticipating whether funds will be required and, if so, the amount.
- b) A special account for activities related to designated laboratories. The purpose of this special account is to provide funds for paying designated laboratories for the analysis of samples taken during on-site inspections. To date, no such analysis has been required, and there appears to be no possibility of anticipating whether funds will be required and, if so, the amount.
- c) A special account for the partial funding of a post classification study which will cover all professional and general service posts of the Secretariat and is expected to be completed before the end of the first quarter of the year 2000.

Note 27 Operation of the three special accounts

- a) The special accounts will start operating from the date of approval by the Conference of the States Parties. They will be closed by the Conference whenever it deems appropriate, taking due consideration of operational requirements.
- b) The accounts are funded by a transfer of amounts appropriated in the regular 1999 OPCW budget. Further reference is made to Note 19. The Conference will replenish the funds, as it deems necessary, by authorising appropriations for that purpose within future regular budgets.
- c) Financial Regulations 4.2, 4.3 and 4.4 shall not apply to the special accounts, and balances remaining at the end of a financial period may be carried forward to subsequent financial periods.
- d) Transfers between the three special accounts are not permitted.
- e) The Director-General shall report to the Conference on the transactions made and on the status of each special account at least once per year as part of the annual audited

financial statements of the OPCW, and shall administer each account in accordance with the applicable Financial Regulations and Rules.

Note 28 Miscellaneous income - bank interest (Statement V)

Bank interest for the period ended 31 December 1999 in the amount of NLG 6,560 relates to two investments on time deposit accounts and interest earned on current accounts, see Note 29. The corresponding accrued interest receivable is shown under “accounts receivable - other”.

Note 29 Cash and term deposits (Statement VI)

Cash as at 31 December 1999 consists of two interest-bearing bank deposits of NLG 1,800,000 and NLG 1,390,000 and cash in current bank accounts of NLG 22,400.

Note 30 Inter-fund balances (Statement VI)

The balance of NLG 200,000 as at 31 December 1999 represents the amount due from the General Fund to the special account for the funding of a post classification study.

Trust Funds (Statements VII and VIII)

Note 31 Number and Purpose of Trust Funds

The following three trust funds were in operation during the financial period:

Regional Seminars	This fund was established in 1994 to assist in funding the costs of regional seminars
Courses for Personnel of National Authorities	This fund was established in 1994 to assist in funding the costs of courses for personnel of National Authorities
Voluntary Fund for Assistance	This fund was established by the Conference of the States Parties at its First Session in May 1997. The objective of this fund is to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party, when requested.

Note 32 Significant accounting policies

The trust funds, which are administered in accordance with the OPCW Financial Regulations and Rules, are financed by voluntary contributions from Member States and non-governmental organisations. The same accounting policies are applicable as for the General Fund.

Note 33 Courses for Personnel of National Authorities - Voluntary contributions (Statement VII)

Voluntary contributions comprise participation fees paid by various donors.

Note 34 Voluntary Fund for Assistance - Voluntary Contributions - (Statement VII)

The voluntary contributions comprise payments from Japan (NLG 100,000) and from Kuwait (NLG 100,000).

Note 35 Contingent liability

In July 1999, the International Labour Organisation Administrative Tribunal (ILOAT), whose appellate jurisdiction is recognised by the OPCW for civil suites brought against it by staff members, ruled in favour of a separated staff member and ordered the OPCW to pay the former employee an amount equal to the salary and benefits that he would have received had he remained in service at his grade and step between the date of his termination and the end of his contract on 23 May 2000. The OPCW has paid NLG 629,801 to the former employee. Since this case is not finally settled, there is a contingent liability between NLG 100,000 to NLG 150,000.

In addition, there are three cases brought by staff members before the ILOAT. The cases are class actions involving 87 staff members regarding the reclassification of posts. A decision in favour of the staff members would involve paying the staff members the difference between their current levels and the new classification levels from 1 January 1999 to the date of the Tribunal's decision - expected sometime around July 2000. The contingent liability, if any, arising from these three cases cannot be quantified yet in financial terms.

**H.E. Mr. Istvan Gyarmati,
Chairman,
Conference of the States Parties,
Organisation for the Prohibition of Chemical Weapons,
Johann de Wittlaan 32
2517 JR THE HAGUE.**

Dated: 29 March 2000

Excellency

I have the honour to submit, in accordance with Article 11 of the Charter of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons read in conjunction with Rule 10 of the Administrative Rules of the Provident Fund, the Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons for the financial period ended 31 December 1999, together with my opinion and report thereon.

Yours faithfully,

**(V. K. Shunglu)
Comptroller and Auditor General of India.**

**OPINION OF THE EXTERNAL AUDITOR
ON THE FINANCIAL STATEMENTS OF THE
PROVIDENT FUND OF THE
ORGANISATION FOR THE
PROHIBITION OF CHEMICAL WEAPONS
FOR THE PERIOD ENDED 31 DECEMBER 1999**

To: The Conference of the States Parties

I have audited the appended Financial Statements, comprising Statements I and II, and the supporting notes, of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons (hereafter “the OPCW”) for the financial period ended 31 December 1999.

The Deputy Director General, in accordance with the Charter of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons (hereafter called “the Charter”), is responsible for preparing the financial statements. My responsibility, under Article 11 of the Charter, is to express an opinion on these financial statements based on my audit.

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

As a result of my audit, I am of the opinion that the financial statements present fairly the financial position as at 31 December 1999 and that they were prepared in accordance with the OPCW’s stated accounting policies (applied on a basis consistent with the previous period); and the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with Article 11 of the Charter, I have also prepared a report on the financial statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons.

(V. K. Shunglu)
Comptroller and Auditor General of India

REPORT OF THE EXTERNAL AUDITOR
on the
FINANCIAL STATEMENTS
of the
PROVIDENT FUND OF THE
ORGANISATION FOR THE PROHIBITION
OF CHEMICAL WEAPONS
FOR THE PERIOD ENDED 31 DECEMBER 1999

INTRODUCTION

1. Scope of Audit

- 1.1** I have audited the Financial Statements of the Provident Fund of the Organisation for Prohibition of Chemical Weapons for the period ended 31 December 1999 in accordance with Article 11 of the Charter. Audit of the Financial Statements has been conducted in accordance with the auditing standards of the International Organisation of Supreme Audit Institutions and the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomic Energy Agency. These standards require that reasonable assurance is obtained as to whether the Financial Statements are free of material misstatement.
- 1.2** The Audit included a general review of the accounting and financial management procedures and of the accounting records to form an opinion on the financial statements.

2. Audit Objectives and Methodology

- 2.1** The main purpose of audit was to enable me to form an opinion as to whether the expenditure recorded in 1999 had been incurred for the purpose approved by the Management Board; whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations of the OPCW; and whether the Financial Statements of the Provident Fund presented fairly the financial position as of 31 December 1999.
- 2.2** Examination of the Financial Statements of the Provident Fund was based on substantive tests carried out on a statistical sample of transactions pertaining to contributions and deposits. The audit included:
- An assessment of internal control environment;
 - Detailed substantive testing on sample of transactions taking place during January to December 1999; and
 - A general review to ensure that the Financial Statements accurately reflected the Fund's accounting records.

3. Overall results

- 3.1** My examination revealed no weaknesses or errors considered material to the accuracy, completeness and validity of the Financial Statements of the Provident Fund as a whole. Accordingly, I have placed an unqualified opinion on the Financial Statements of the Provident Fund for the period ended 31 December 1999.
- 3.2** In accordance with the OPCW Interim Staff Regulation 6.1, the Charter and Administrative Rules of the Provident Fund for the OPCW was issued by the DG on 13 July 1998 (OPCW-TS/AD/26). The Management Board of the Provident Fund was established in January 1998.
- 3.3** Rule 6.3 of the Administrative Rules of the Provident Fund of the OPCW stipulates that the Management Board shall develop an investment policy for the Provident Fund. Accordingly, the Management Board devised an investment policy aimed at providing a net return superior to that available from deposit and bond based investments. Fulcra International Financial Planning BV, who were paid a sum of NLG 132,846, has continued to work as the Provident Fund Adviser, providing expert advice and assistance to the Management Board. Similarly, Ernst & Young Actuarial Advisory Group, who were paid a sum of NLG 90,000, continued with the work of administration of the fund, mainly the maintenance of provident fund records for each participant, provision of individual PF statements and preparation of annual financial statements. Scottish Equitable International and Swiss Bank Corporation continued to be the Fund Managers. Bank charges amounted to NLG 2359.
- 3.4** The resources of the PF were invested with the Scottish Equitable Global Security Plus Funds and the UBS Global Portfolio Funds. The Provident Fund is financed by contributions from the eligible staff at the rate of 7.9% of their pensionable remuneration and by the OPCW at the rate of 15.8% of the pensionable remuneration of the participant pursuant to Interim Staff Rule 6.1.01. Eligible staff members may make additional voluntary contributions to the PF and opt to invest in higher risk funds. The OPCW, however, does not make a matching contribution in these cases.
- 3.5** The market value of the investments as on 31 December 1999 was NLG 39,008,887 (Note 5 of the Financial Statements for the Provident Fund). The cost of the investments was NLG 36,050,763. The difference between the market and the cost value of the investments has been treated as income of the Fund (Other Income- NLG 2,694,780).
- 3.6** The average return on investment during 1999, after deducting administrative expenses (NLG 225,205) from the total interest and other income (NLG 2,721,654), was stated to be 8.3% of the average investments. This higher return was due to a more innovative than conservative investment policy adopted by the Board during the year.

FINANCIAL STATEMENTS

OF THE PROVIDENT FUND OF THE

ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

FOR THE PERIOD ENDING 31 DECEMBER 1999

Statement I

**PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF
CHEMICAL WEAPONS**

Statement of Income and Expenditure
for the period ending 31 December 1999

(Expressed in Netherlands Guilders)

<u>Income</u>	<u>1999</u>	<u>1998</u>
Interest income (Note 3)	26,874	350,344
Other income (Note 3)	2,694,780	276,816
Total Income	<u>2,721,654</u>	<u>627,160</u>
<u>Expenditure</u>		
Administrative expenses (Note 4)	225,205	182,194
Total Expenditure	<u>225,205</u>	<u>182,194</u>
Excess of income over expenditure	<u>2,496,449</u>	<u>444,966</u>

The following appended financial statements comprising Statements I and II and supporting notes were properly prepared in accordance with the Charter and Administrative Rules of the Provident Fund of the OPCW, the relevant OPCW Financial Regulations and Rules and the United Nations System Accounting Standards.

The Hague, 24 March 2000

John Gee,
Chairman, Management
Board of the Provident Fund
(signed)

**PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF
CHEMICAL WEAPONS**

Statement of Assets and Liabilities
as at 31 December 1999

(Expressed in Netherlands Guilders)

Assets	<u>1999</u>	<u>1998</u>
Cash and term deposits	1,794,463	1,782,805
Investments (Note 5)	39,008,887	17,577,911
Accounts receivable - other (Note 6)	4,663	82,530
Inter-fund balances (Note 7)	15,938	1,269,524
Total Assets	<u>40,823,951</u>	<u>20,712,770</u>
Liabilities		
Accounts payable - other (Note 8)	27,174	48,650
Separated participants' capital accounts	-	15,953
Continuing participants' capital accounts (Note 9)	40,796,777	20,648,167
Total Liabilities	<u>40,823,951</u>	<u>20,712,770</u>

Notes to the Financial Statements

Note 1 Authority for the establishment of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons

A Provident Fund of the Organisation for the Prohibition of Chemical Weapons, hereinafter called the Provident Fund, was established by the Director-General of the OPCW for the staff members of the Secretariat of the OPCW, in June 1997, as authorised by the Conference of the States Parties at its First Session held from 6 to 23 May 1997 and as provided for in Article VI of the Interim Staff Regulations. The object and purpose of the Provident Fund is to be an instrument of social security for staff members of the Organisation appointed for a continuous period of more than three months (hereinafter “eligible staff members”); to administer resources which are entrusted to the Provident Fund by eligible staff members of the Secretariat and by the Organisation for the benefit of such eligible staff members, to invest such resources as shall be determined from time to time in accordance with established investment policies and guidelines, and to return resources and income earned thereon to such eligible staff members upon the termination of their employment with the Organisation.

Note 2 Significant accounting policies

The following significant accounting policies have been applied:

- a) The accounts of the Provident Fund are maintained in accordance with the Charter and Administrative Rules of the Provident Fund, the relevant OPCW Financial Regulations and the United Nations System Accounting Standards.
- b) The financial period of the Provident Fund is the calendar year.
- c) The financial statements of the Provident Fund are presented in Netherlands Guilders.
- d) Investments of the Provident Fund are valued at market value;
- e) Income, expenditure, assets and liabilities are recognised on an accrual basis of accounting;
- f) The Provident Fund is financed by monthly contributions from eligible staff members at the rate of 7.9% of their pensionable remuneration and by the Secretariat at the rate of 15.8% of the pensionable remuneration of the participant pursuant to Interim Staff Rule 6.1.01. Eligible staff members may make additional voluntary contributions to the Provident Fund. The OPCW shall not make a matching contributions;
- g) All interest and other income earned on the Provident Fund’s capital assets during each financial period less all administrative expenses and any losses resulting from the operations of the Provident Fund for that financial period are calculated and distributed to the capital accounts of each participant in the fund on a monthly basis.
- h) Payments from the Provident Fund are made in Netherlands Guilders.

Note 3 Interest and other income on investments (Statement I)

The total interest and other income earned on Provident Fund investments during 1999 amounts to NLG 2,721,654. The net income earned after deduction of administrative expenses of NLG 225,205 is NLG 2,496,449. This amounts to an average return on investment of 8.3% earned on the average amount of Provident Fund capital of NLG 30,083,000 invested during 1999.

Note 4 Administrative expenses (Statement I)

The administrative expenses comprise (a) NLG 90,000 paid to the Provident Fund Administrator Ernst & Young Actuarial Advisory Group, hereinafter Ernst & Young, for the administration of the fund, mainly the maintenance of Provident Fund records for each participant, provision of individual Provident Fund statements and preparation of annual financial statements, (b) NLG 132,846 paid to the Provident Fund Adviser Fulcra, International Financial Planning B.V., hereinafter Fulcra for assisting the Board in implementing the new investment scheme and providing ongoing advice on the administration and performance monitoring of the fund, and (c) NLG 2,359 for bank charges.

Note 5 Provident Fund Investments (Statement II)

During 1999 the Management Board of the Provident Fund has moved from a very conservative to a more innovative investment policy that, while still offering guarantees regarding the preservation of the funds invested, will none the less yield a higher rate of return. The new investment policy which was designed with the help of a financial adviser is also more flexible in that it offers staff members more investment options. The two funds that were selected for the investment of the Provident Fund monies are the Scottish Equitable Global Security Plus Funds and the UBS Global Portfolio Funds. The investments as at 31 December 1999 are analysed as follows:-

<u>Investment</u>	<u>Units held</u>	<u>Total NLG</u>
<u>Scottish Equitable</u>		
100% Option (US Dollar)	1,982,102.687	4,980,328
97.5% Option (US Dollar)	1,747,309.731	4,438,438
100% Option (EURO)	1,743,418.226	4,039,428
97.5% Option (EURO)	1,516,461.107	3,439,723
USD Cash		922,887
EURO Cash		750,367
<u>UBS</u>		
Yield(US Dollar)	405,558.00	1,527,122
Balanced(US Dollar)	2,110,800.00	7,694,412
Growth (US Dollar)	441,072.00	2,036,269
Yield(EURO)	294,520.00	1,339,177
Balanced(EURO)	1,624,147.00	6,291,392
Growth (EURO)	284,585.00	1,549,344
Total value of investments		<u><u>39,008,887</u></u>

The total value of the investments at cost as at 31 December 1999 amounts to NLG 36,050,763. The market value in Netherlands Guilders was arrived at by converting the US Dollar and EURO holdings at the UN operational exchange rates of NLG 2,18828 to 1 USD and NLG 2.20371 to 1 EURO prevailing at the balance sheet date.

Note 6 Accounts receivable - other (Statement II)

Accounts receivable - other as at 31 December 1999 is comprised of accrued interest receivable.

Note 7 Inter-fund balance (Statement II)

The inter-fund balance of NLG 15,938 due from the General Fund represents the difference between the Provident Fund contributions and the investments during 1999.

Note 8 Accounts payable - other

This balance is related to fees payable to the Provident Fund Adviser Fulcra and the Provident Fund Administrator Ernst & Young for services rendered during 1999.

Note 9 Staff Provident Fund capital accounts (Statement II)

The balance as at 31 December 1998 comprises the following:

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Continuing participants' capital accounts	40,796,777	20,648,167
Separated participants' capital accounts	-	15,953
Total capital accounts	<u>40,796,777</u>	<u>20,664,120</u>

Note 10 Movement in the participants' capital accounts

The movement in the participants' capital accounts during 1999 was as follows:-

	<u>1999</u> <u>NLG</u>	<u>1998</u> <u>NLG</u>
Balance as of 1 January 1998	20,664,120	6,239,235
<u>Add</u>		
i) Contributions of the OPCW and staff members	18,978,057	14,762,136
ii) Income earned on investments	<u>2,721,654</u>	<u>627,160</u>
	42,363,831	21,628,531
<u>Deduct</u>		
i) Payments to separated participants	1,341,849	782,217
ii) Administrative Expenses	225,205	182,194
iii) Other	-	-
Balance as of 31 December 1999	<u><u>40,796,777</u></u>	<u><u>20,664,120</u></u>

RESPONSE OF THE DIRECTOR-GENERAL
to the
REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
AND THE PROVIDENT FUND OF THE ORGANISATION
FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE PERIOD ENDED 31 DECEMBER 1999

1. The Director-General wishes to express his appreciation for the observations, recommendations, and support received from the Auditor-General of India, and his staff, on the occasion of the external audit of the financial statements of the OPCW and the Provident Fund of the OPCW for the period ended 31 December 1999.
2. It is gratifying to note that the External Auditor, in his Reports stated that the audit revealed no weaknesses or errors considered material to the accuracy, completeness and validity of the financial statements of the OPCW and the Provident Fund of the OPCW as a whole, and that, accordingly, an unqualified opinion has been placed on these statements.
3. The Director-General is in general agreement with the observations and recommendations made by the External Auditor and action has been initiated to implement these recommendations as appropriate.

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