



AGENCY FOR THE PROHIBITION OF NUCLEAR WEAPONS IN
LATIN AMERICA AND THE CARIBBEAN

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FINANCIAL REGULATIONS

Amended on 26 November 2015

The first Financial Regulations of OPANAL were adopted through resolution CG/Res.3, during the I Regular Session of the General Conference, held on 5 September 1969. They were subsequently amended through the following:

- CG/Res.63, III Regular Session (24 August 1973);
- CG/E/Res.8, III Special Session (15 June 1982);
- CG/E/Res.312, VIII Special Session (21 January 1994);
- CG/Res.391, XVI Regular Session (1 December 1999);
- CG/E/Res.507, XIX Special Session (19 November 2008);
- CG/E/Res.530, XX Special Session (18 November 2010);
- CG/E/Res.573, XXIII Special Session (19 November 2014), and
- CG/Res.06/2015, XXIV Regular Session (26 November 2015).

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Article 1

General provisions

1.01 Application

These Regulations shall govern the financial administration of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), hereinafter called "the Agency".

1.02 Financial period

The financial period of the Agency shall consist of a calendar year.

Article 2

Budget

2.01 Definition

The Agency's Budget shall consist of the estimated revenue and expenditures of the Agency for the financial period to which it relates in order to cover commitments for goods and services acquired during the said financial period.

- 2.01.1 The Budget shall be implemented by the Secretary-General in accordance with the provisions of Articles 4 and 12 of these Regulations.
- 2.01.2 The Budget, as well as the Agency's accounting records and financial reports shall be presented in United States dollars, without prejudice to whether a transaction might be conducted or performed in the currency of the Agency's host State.
- 2.01.3 All financial obligations of the Member States to the Agency shall be paid in United States dollars.
- 2.01.4 Expenses shall be financed through the assessed contributions. The General Conference shall, on a proposal from the Secretariat, fix the annual contributions according to the scale of assessments determined by the Conference itself.
- 2.01.5 After the General Conference has approved the Budget and the Scale of Assessments, the Secretary-General shall transmit all relevant documents to the Member States informing them of their obligations to the Agency for the corresponding financial period.

2.02 Items of expenditure.

The programme Budget shall be presented substantially in accordance with the following items of expenditure:

PART ONE: STAFF WAGES AND BENEFITS

Section 1.1. Wages

Section 1.2. Fees

Section 1.3. Contributions and social benefits

PART TWO: ADMINISTRATIVE EXPENSES

Section 2.1. Leases and Services

Section 2.2. Maintenance and Acquisition of Equipment, Furniture and Others

Section 2.3. Travel and relocation expenses of the Secretary-General

Section 2.4. Office Expenses

Section 2.5. Miscellaneous Expenses

PART THREE: MEETINGS, CONFERENCES AND OTHERS

Section 3.1. General Conference

Section 3.2. Official Representations

Section 3.3. Other Activities

- 2.02.1** Items of expenditure may be modified or divided into sub-items on the basis of the recommendation of the Secretary-General or at the request of the Committee on Contributions and Administrative and Budgetary Matters (CCAAP). The Secretary-General shall submit his proposal to the Council for consideration and approval.
- 2.02.2** Content by item, structure, and purpose. The programme budget shall include all services and actions that the Secretariat shall conduct in order to implement the programmes adopted by the Agency. The corresponding expenses shall be included in the budget, as well as the proposed sources of funds and the current mandates and resolutions, while maintaining the priorities set forth by the Agency in the adoption of such programmes.
- 2.02.3** The programme budget shall be divided into parts, sections, chapters, items and fractions in such a manner as to:
- a. Allow for effective control over budgetary implementation in accordance with the decisions of the General Conference;
 - b. Facilitate the review, by the Council, of programmes, projects, and activities; and the specific identification of all their sources of funds;

- c. Provide and explain analytic and comparative data on each programme and project, clearly indicating the mandate, objectives, goals, staff assigned, cooperative institutions, if any, and the resources required;
- d. Indicate the comparative relationship between the cost of the programmes and projects approved for the previous financial period; and
- e. Clearly establish the operational unit responsible for carrying out each programme and project.

2.03 Procedure for the adoption of the Budget

In the month of June of every year, at the latest, the Secretary-General shall submit the programme budget for the following financial period to the Committee on Contributions and Administrative and Budgetary Matters, organ established by the General Conference, hereinafter called "CCAAP". The Secretary-General shall submit the programme budget with any information and explanatory comments that he may deem useful or necessary.

2.03.1 Submission and complementary information. The Secretary-General shall submit the programme budget together with the following:

- a. A statement indicating the general orientation of the budget;
- b. An estimate of the assessed contributions assigned to each Member State payable into the General Fund;
- c. A report on the status of the General Fund -assets, liabilities, and balance sheets-; a report on the collection of assessed contributions to the General Fund and a projection of current expenditure;
- d. An assessment of the Agency's activities of the last three years;
- e. A report on transfers between sections during the previous financial period; and
- f. Any other information that the General Conference may request to facilitate the analysis of the programme budget.

2.03.2 Regulatory provisions that may be included in the resolution adopting the budget shall only be in force for the corresponding financial period, unless otherwise expressly stated therein.

2.03.3 The programme budget shall include an estimate of expenditure for the corresponding financial period, with a current and universal classification of accounts.

2.03.4 The Secretariat shall propose to CCAAP a schedule that it deems appropriate for the review of the programme budget prior to its presentation to the General Conference.

- 2.03.5** Review of the programme Budget. CCAAP, as the technical organ responsible for advising the Council in all matters concerning the administration of the Secretariat and the preparation, discussion, adoption, implementation, evaluation and control of the budget, shall review the programme budget presented by the Secretariat and shall submit to the Council its observations, if required, within the time limits established for that purpose by the Council.
- 2.03.6** After CCAAP and the Council have analysed and approved the annual programme budget and scale of assessments of the Agency, the Secretary-General shall transmit these documents to the Member States at least one month prior to the opening of the corresponding Session of the General Conference.
- 2.03.7** The General Conference shall adopt the budget of the Agency and shall determine the scale of assessments for the contributions of Member States, considering the systems and criteria used by the United Nations for the same purpose.
- 2.03.8** The adoption of the budget by the General Conference shall constitute authorization to the Secretary-General to allocate funds, incur commitments, and make payments within the approved appropriations and for the established purposes or objectives.

Article 3

Funds of the Agency

- 3.01 The Funds of the Agency shall be the following:**
General Fund
Reserve Fund
- 3.02 General Fund**
- 3.02.1** A General Fund shall consist of the assessed contributions of Member States pursuant to the provisions of regulation 2.02.5; and of any other income within the meaning of Article 8 of these Regulations.
- 3.02.2** The purpose of this Fund is to finance the regular services of the Secretariat and also the general support services provided by it, as well as programmes that are identified specifically in the approved budget.
- 3.02.3** At the end of each financial period, the excess of income over expenditures shall be transferred from the General Fund to the Reserve Fund, maintaining liquidity under regulation 4.03. Likewise, the excess of expenditures over income shall be transferred from the Reserve Fund to the General Fund, as established in regulation 3.03. The Secretariat shall report on these actions to the Council no later than 30 days after the transfer is executed.

3.03 Reserve Fund

3.03.1 The purpose of the Reserve Fund is to ensure normal and continuous financial operation of the Agency. It is intended that the Reserve Fund should reach an amount equal to the total of the Member States' annual assessed contributions.

3.03.2 The Reserve Fund shall, to the extent that it exceeds the amount under regulation 3.03.1, partially finance the budget and any other purpose approved by the General Conference according to regulation 3.03.4.

3.03.3 Should the Reserve Fund fall below 50% of the total Member States' annual assessed contributions, the Secretary-General may include an item in the programme budget to properly replenish the Reserve Fund, in accordance with regulation 3.03.1.

3.03.4 The Reserve Fund may, on a temporary basis, be used to meet:

- i. Budgetary expenditures financed by the General Fund, pending full receipt of estimated revenue. All transfers made shall be reported to the Council according to regulation 3.02.3;
- ii. Special expenditures not foreseen in the budget, including the renewal of assets, previously authorized by the General Conference or, when it is not in session, by the Council, which shall consider in advance the report of CCAAP on the situation of the Reserve Fund and the purpose of such expenditures.

3.04 Financing of expenditures

Expenditures shall be financed through the assessed contributions of the Member States.

3.05 Unforeseen and extraordinary expenses

When the General Conference is not in session, the Secretary-General shall request from the Council the necessary resources to respond to unforeseen situations that are not provided for in the budget and that he deems indispensable; and he shall also propose their sources of financing. In the event of these expenditures being approved, the Council shall determine their financing source.

The Secretary-General shall present an estimate of expenditure and a report on the availability of the necessary funds and their sources.

Article 4

Implementation of the Budget

4.01 Implementation of budgetary expenditure

For the implementation of budgetary expenditure and based on the collected funds, the Secretary-General shall observe the following priorities:

- 4.01.1 Current expenditure must be understood as the necessary expenditures for the operation of the Agency, *inter alia*, wages, leasing of facilities, electricity, and communications and mail, in accordance with the respective annual budget approved by the General Conference.
- 4.01.2 Other items approved by the General Conference in the annual budget of the Agency, as the collection of Member States' assessed contributions continues into the General Fund.
- 4.01.3 Specific expenses authorized by the General Conference for which no amount has yet been allocated in the Budget, after having been considered by CCAAP and received prior approval from the Council.
- 4.01.4 Other expenses that are not budgeted, which derived from decisions or resolutions of the General Conference or the Council.

4.02 Resolutions of the General Conference and the Council that may result in unbudgeted expenses.

The Secretary-General shall submit to CCAAP and through it to the Council or the General Conference a preliminary report on the financial consequences of any resolution or decision of said Organs that may result in expenses that are not included in the Agency's Annual Budget approved by the General Conference.

4.03 Low Availability of Funds

Notwithstanding what is stated in regulation 4.01.1, the Secretary-General shall monitor that the Agency permanently has a liquidity of 10% of the total budgeted resources in the General Fund in order to ensure the ability to meet possible financial contingencies.

4.04 Transfers between parts

For any financial period, the Secretary-General has the power to transfer General Fund resources from one budget part to another, subject to the following conditions:

- a. Transfers that do not exceed five percent of the total General Fund resources approved for the part from which those resources are withdrawn, or transfers that do not involve substantial alterations of any approved item, do not require prior approval from the Council;
- b. For each transfer made under paragraph (a), the Secretary-General shall submit a Special Report in writing to the Council within fifteen days following the date of the transfer. The Report should support the transfer on the basis of existing mandates. Failure to submit the Report within fifteen days will immediately withdraw the Secretary-General's power to make such transfers for the remainder of the financial period without prior approval from the Council;
- c. Transfers that exceed the five percent limit established in paragraph (a) of this regulation or that may result in either the elimination or substantial alteration of any approved programme shall require prior approval from the Council.

4.05 Transfers within a part

The Secretary-General has the power to redirect resources from the General Fund within a single part and, if such redirection does not essentially alter the nature of the section either receiving or delivering funds, he may make transfers between items within each part.

- 4.05.1 In the case of activities financed by the General Fund that involve direct services to the Member States, the Secretary-General shall justify such transfers before CCAAP on the basis of existing mandates of the General Conference or the Council, as appropriate. The Secretary-General shall inform the Council on these transfers within thirty days.

4.06 Information that should be recorded in the implementation of the Budget.

Budgetary accounting shall record the fund, budgetary account, the object of expenditure and documents substantiating all actual expenditures made.

Article 5

Assessed contributions

5.01 Calculation of assessed contributions.

To calculate Member States' annual assessed contributions pursuant to regulation 2.03.7, the Secretariat shall take into account:

- a. The total appropriations required for the implementation of the budget;
- b. The amount in the Reserve Fund, pursuant to regulations 3.03.2 and 3.03.3;
- c. The estimated miscellaneous revenue, unless the General Conference decides to use such revenue for other purposes.

5.02 Notification and payment of assessed contributions.

Within 15 days of the General Conference's decision to approve the budget, the Secretary-General shall transmit it to the governments of the Member States together with the information on their corresponding contributions.

5.03 Procedure of payments

Member States are required to pay their contributions on the first day of the calendar year so that the Agency's activities are not affected by a lack of funds. In the event that Member States do not do so during the first half of the year, the Secretary-General shall carry out consultations concerning the projected date for the payment of contributions.

Revenue from contributions paid by a Member State to the General Fund shall be credited to that State's contributions due in chronological order, starting from the earliest, in which the Member State was assessed.

5.04 Adjustments to Assessed Contributions

5.04.1 Member States contributions shall be adjusted if the number of Member States changes.

5.04.2 During the early months following their date of entry, new Member States of the Agency shall pay the proportional amount of their annual contribution corresponding only to full calendar months starting from their date of entry to 31 December of the corresponding financial period.

5.05 Non-compliance with Obligations

In the event that a Member State fails to make the payment of its annual contribution by December 31 of each year, the Secretary-General shall notify the respective Member State of its arrears to the Agency as of 1 January of the following financial period and shall initiate negotiations with respect to the manner and date on which obligations will be met, these being no later than the end of said financial period. In the event that a Member State is in arrears for more than two years, the General Conference shall decide on the measures to be taken and may delegate to the Council the negotiation on the mechanism of payment of arrears.

5.06 Reports on the Collection of Contributions

The Secretary-General shall submit the following reports:

- 5.06.1 To the Member States, on a quarterly basis, a report on the status of collection of contributions, and;
- 5.06.2 To the General Conference, during each Regular Session, a report on the status of collection of contributions, on negotiations carried out for that purpose, their results, and any recommendations he deems appropriate.

5.07 Bank commissions

- 5.07.1 When receiving an order of payment, the Agency shall absorb the commissions charged by its bank and those of the intermediary bank; the Member State shall cover the commissions charged by the issuing bank.
- 5.07.2 In the event that a Member State has an unpaid balance due to bank commissions, such balance shall be registered separately, showing that the Member State owing bank commissions is not in arrears, and thus it preserves all its rights. Member States undertake not to accumulate unpaid bank commissions for more than three years. Any contribution made by Member States to the Agency shall be first credited to the contributions due and then to the bank commissions due.

Article 6

Custody of Funds

6.01 Deposits and bank interest

The following provisions shall govern the designation of banking institutions and the crediting of interest to the funds administered by the Secretariat:

- a. The Secretary-General shall designate the bank or banks in which the Agency's Funds shall be kept, looking for institutions that, in his opinion, are the most solvent and reliable, taking into account the purpose of the Funds;
- b. Interest earned by the Funds shall be credited to each Fund, respectively, and;
- c. The annual financial report of the Secretariat to the Council shall state how the interest of each Fund has been credited.

Article 7

Resources for expenditure

7.01 Authorization to acquire goods and services

The Secretary-General may acquire goods, contract services and carry out the corresponding payments through the budgeted items approved by the General Conference.

7.02 Validity of the Budget

7.02.1 The resources allocated for obligations contracted by virtue of goods and services acquired by the Agency shall be available throughout the financial period for which they have been approved, and for an additional period of twelve months as of the end date of the financial period; with the exception of the annual provisions for seniority premiums and assets renewal, which may be available for more than one year.

7.02.2 For the purposes of this Article, obligations shall be understood as those arising from any agreement, contract, purchase order or other document concluded with a natural or legal person under which the Secretariat is legally obliged to disburse funds to the corresponding natural or legal person in order to carry out approved activities under the provisions of the Treaty of Tlatelolco, the resolutions of the General Conference, and these Financial Regulations. The obligations shall be recorded on the date on which the aforementioned documents become legally-binding commitments.

7.03 Payment of obligations

Unliquidated obligations from the previous financial period shall be paid no later than by the end of the twelve-month period established in regulation 7.02.1; and the balance, if any, shall be applied pursuant to Article 4.

Article 8

Miscellaneous revenue

8.01 Definition

All revenue other than contributions approved by the General Conference, which are allocated to the General Fund, shall be classified as miscellaneous revenue of the Agency and shall be applied to the General Fund, provided that said revenue does not derive from donations destined for specific purposes.

8.02 Acceptance of inheritances, gifts, and bequests

With the agreement of the Council, the Secretary-General may accept, on behalf of the Agency, inheritances, gifts, or bequests provided that the purposes for which they are made are consistent with those of the Agency.

8.03 Alienation of assets

The Secretary-General may initiate the alienation or disposal of the Agency's property with prior authorization from CCAAP.

8.04 Income from sale of assets

Income from sale of assets shall be applied for the renewal of those same assets.

Article 9

Accounting

9.01 Accounting system

Pursuant to these Financial Regulations, the Secretary-General shall establish appropriate provisions and procedures to ensure effective financial management and the exercise of economy, and the best use of all the resources administered by the Secretariat. The Secretary-General shall provide an accounting thereof to the General Conference.

- 9.01.1** These provisions and procedures shall include an appropriate accounting system based on generally accepted accounting principles and on these Financial Regulations.

9.02 Accounting records

The Secretary-General shall maintain the corresponding accounting records for effective and timely control of the Agency's financial operations. The Secretary-General's financial reports shall reflect:

- a. Status of revenue, obligations, and expenditures of all funds;
- b. Status of expenditures, in a manner which permits for comparison against the approved budget, by Fund type, by financial period, and by parts and items; and
- c. The Agency's assets, liabilities, and Funds balances.

The Secretary-General shall also provide any other information deemed necessary to show the current financial position of the Agency.

9.03 Closing of accounting records

The closing of accounting records shall be accomplished by the Secretariat at the end of each year. The resultant financial statements shall be submitted for the review of the External Auditor within the first quarter of the following year. Within the same period of time, the Secretariat shall submit to the Council a report that shows clearly the status of assets, liabilities, and balance of each fund; the state of variation in the Fund balance; the status of collection of assessed contributions and miscellaneous revenue; and the status of expenditures for the corresponding financial period.

9.04 Submission and certification of financial statements

The Secretary-General shall submit the financial statements to the External Auditor no later than 90 days following the end date of the financial period. The External Auditor shall certify such statements in conformity with the principles set forth in Articles 12, 13 and 14 of these Financial Regulations.

9.04.1 Financial Statements shall include:

- a) Revenue and expenditures of the General Fund;
- b) Revenue Budget;
- c) Expenditure Budget;
- d) Consolidated Statement of revenue and expenditure of the General Fund at the end of the corresponding financial period;
- e) A statement of financial position, including the status of the Reserve Fund;
- f) Any other information deemed appropriate.

9.05 Dissemination of the Financial Statements

Once certified by the External Auditor and sanctioned by CCAAP, the Financial Statements shall be distributed to the Member States by the Secretary-General in order to present their observations to the Council no later than 30 days prior to the session of the General Conference.

9.06 Adoption by the General Conference of the Financial Statements

At each Session, the General Conference shall consider and, if necessary, adopt the certified Financial Statements of the previous financial period.

Article 10

Internal Control

- 10.01** The Secretary-General, with the support from CCAAP and with the knowledge of the Council, shall establish the guidelines, as he deems appropriate, to maintain a system that enables effective internal control of the resources of the Agency.

10.02 Fiscal supervision by the Council. Fiscal supervision by the Member States lies primarily with the Council.

10.02.1 The Council shall not only directly or through CCAAP oversee compliance with these Regulations, but it shall also partially delegate oversight functions to the External Auditor.

10.02.2 The Secretariat shall facilitate Member States' direct access to the electronic system of financial and budgetary implementation reports of the Secretariat.

10.02.3 The Secretary-General shall notify the Council of any matter that, in his view, implies a significant change in the current and proposed financial situation of the Secretariat.

10.03 Evaluation by the Secretariat.

The Secretary-General is responsible for establishing a formal evaluation system of the programmes, projects and activities of OPANAL.

10.03.1 The Secretariat shall submit to the Council reports on these evaluations by 30 April of each year, together with its comments and suggestions in order for these to be taken into account in the preparation of the programme budget for the following year.

10.04 Evaluation by CCAAP.

CCAAP shall consider the annual evaluation reports presented to the Council by the Secretary-General in compliance to the provisions of regulation 10.03 and, on that basis, shall evaluate the overall efficiency of the programmes, projects, and activities of the Agency. CCAAP shall make recommendations, as it deems appropriate, and shall submit them to the Council for consideration in order to be analysed by the General Conference together with the programme budget.

Article 11

**Committee on Contributions
and Administrative and Budgetary Matters (CCAAP)**

11.01 Composition

11.01.1 CCAAP shall consist of five Member States elected by the General Conference for a four-year period. Elections shall take place every two years, alternatively three

and two Members shall be elected every two years. All other Member States wishing to participate in CCAAP meetings may do so as nonvoting Observers.

- 11.01.2 During the corresponding session of the General Conference, the Secretary-General shall report on the interest of those Member States eligible to be members of CCAAP.
- a) Member States may be elected for two consecutive four-year terms. Re-elected Members of CCAAP will be eligible again after two years from the end of their mandate.
 - b) The General Conference shall elect the Members of CCAAP by a simple majority of the Member States present.
- 11.01.3 If a member leaves CCAAP before ending its term, the Council shall elect, at its next Regular Session, a substitute member of CCAAP for the unexpired term.
- 11.01.4 CCAAP shall elect its President for a one year term. Its working sessions shall be convened by the Presidency in coordination with the Secretariat and shall be held with a quorum of at least three Members.

11.02 Functions of CCAAP

CCAAP shall have the following functions:

- 11.02.1 To assist the Secretary-General in the execution of the provisions of these Regulations and in achieving compliance with the following functional duties:
- a) Preparing the programme Budget that the Secretary-General shall submit to the General Conference in accordance with regulation 2.02 of these Regulations;
 - b) Formulating the Scale of Assessments of Members States' Contributions as provided in regulation 2.02.7 of these Regulations;
 - c) Determining specific expenditures or expenditures not provided for in the Budget, as established in Article 4 of these Regulations;
 - d) Negotiating with Member States that are in arrears in the payment of their financial contributions to the Agency in order to agree on the terms, conditions and dates on which unpaid financial obligations shall be covered in accordance with regulation 5.05 of these Regulations;
 - e) Setting priorities in implementing the Agency's Budget approved by the General Conference pursuant to Article 4;

- f) Suggesting a candidate to the General Conference to serve as External Auditor in accordance with regulation 13.01; and
 - g) Analysing the annual evaluation presented by the Secretary-General to the Council in accordance with regulation 10.04.
- 11.02.2 To sanction the Financial Statements that were certified by the External Auditor according to regulation 9.05.
- 11.02.3 To collaborate with the Secretary-General in any other matter related to assessed contributions or any other financial contribution of Member States, as well as other administrative or budgetary matters in which the Secretary-General requests its assistance or collaboration, or as expressly provided by the General Conference.
- 11.02.4 Should disputes arise over the application of the Standards to Govern the Secretariat, CCAAP shall have the power of an Administrative Tribunal to help to solve the aforementioned disputes and shall submit directly to the General Conference a Special Report on the matter.

Article 12

Audit

12.01 Procedures

The procedures for auditing the Agency's accounting records shall be determined by the External Auditor taking into account the following principles:

- 12.01.1 The Financial Statements must derive from the Agency's accounting records and books.
- 12.01.2 The operations reflected in the Financial Statements shall comply with the regulatory provisions, the Budget and all other applicable provisions.
- 12.01.3 The funds kept shall be verified by certificates received directly from the institutions referred to in regulation 6.01, the cash in the petty cash box shall be verified by the Secretariat through direct counting.

Article 13

External Auditor and Review of Accounts

13.01 Appointment of an External Auditor

- 13.01.1 An External Auditor shall be appointed by the General Conference in accordance with Article 76 of the General Conference Rules of Procedure, and shall hold office for a four-year period, except in the event of an early termination of the contract. The General Conference shall appoint an External Auditor from a pool of three candidates, which may either be specialists or reputable institutions preferably with representation in Mexico (host country); candidates should be proposed by OPANAL Member States through CCAAP.
- 13.01.2 The Secretary-General shall enter into a contract of service with the specialist or institution appointed by the General Conference for a one-year period, and renewable for a maximum of four years, in accordance with the law of the host country.
- 13.01.3 The External Auditor shall examine the accounting data of the Secretariat pursuant to Article 76 of the Rules of Procedure of the General Conference and also to these Financial Regulations.

13.02 Powers of the External Auditor

- 13.02.1 Pursuant to the provisions of these Financial Regulations, the External Auditor shall be the sole judge as to the acceptance in whole or in part of the transaction records of the Agency, for which:
- i. He shall have access to all the Agency's accounting records and ledgers, as well as to the vouchers that he may deem necessary to consult in order to certify the financial statements;
 - ii. The Secretary-General shall grant the External Auditor access to any accounting records that he may request and cooperate with him as needed, so that he may perform his audits in a timely and effective manner;
 - iii. He may carry out the analyses and audits of the accounting records that he deems necessary. To this end, he shall request the Secretary-General not only the financial statements, but also all useful documents in order to carry out the Agency's audits.

13.03 Verification of the efficacy of internal financial control

- 13.03.1** The External Auditor may verify the efficacy of internal financial control and shall present to the General Conference the reports that he considers appropriate with respect to such control.
- 13.03.2 The External Auditor, after satisfying himself that the books, records, documents, and vouchers have been examined and certified as correct by the Secretariat staff, may, at his discretion, and bearing in mind the nature of the examination, accept such certification in whole or in part.

13.04 Observations on financial management

- 13.04.1 The External Auditor, in addition to certifying the financial statements, may make such observations as he deems necessary with respect to the internal financial and budgetary regulations, the accounting system, the efficiency of the internal auditing, the control procedures, programme and administrative activities and, in general, the financial consequences of the administrative practices of the Secretariat.
- 13.04.2 The External Auditor shall communicate his views to the Secretary-General or his representative, as well as to CCAAP, about any transaction that may entertain doubt as to legality or propriety. This situation shall be communicated immediately to the Council and, if it deems appropriate, to the General Conference.
- 13.04.3 The External Auditor shall have no power to adjust the financial statements but shall draw to the attention of the Secretary-General, for appropriate action, any transaction that may entertain doubt as to legality or propriety.
- 13.04.4 The External Auditor may note in his report any deficiency or fault with respect to his findings resulting from the audit, but never without first affording the Secretary-General an opportunity of explanation or correction.

13.05 Examination of accounts

The External Auditor shall examine the accounts to certify:

- a. That the annual financial statements presented by the Secretary-General are in accord with the books, records, documents, and vouchers of the Secretariat;
- b. That the transactions recorded in the financial statements conform to these Financial Regulations; and

- c. That the securities and monies on deposit have been verified by certificate received direct from the Secretariat's depositaries, and that monies on hand have been verified by actual count, as the External Auditor deems appropriate, applying generally accepted auditing standards.

13.06 Date of certification

The certification of accounts shall normally be carried out as set forth in regulation 9.05 unless it is deemed essential to carry out a special audit on a given date.

Article 14

Reports of the External Auditor and Certification of Financial Statements

14.01 Reports on the Certification of Financial Statements

The External Auditor shall prepare a Report on the certification of Financial Statements, in which he shall indicate the scope and nature of his examination. Said certification may be drafted in the following or in analogous terms:

"In accordance with the precepts issued in the pertinent regulatory provisions, the undersigned External Auditor hereby certifies that the Financial Statements of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) annexed herewith and corresponding to the financial period ending on 31 December, have been examined in accordance with the provisions contained in the Financial Regulations, that the Accounting Records are being kept appropriately and that he has been provided with all the required reports and explanations; he therefore CERTIFIES that as a result of the audit, in his opinion the financial statements are accurate". If necessary, he may add: " With the exception that..."

- 14.01.1 In no case shall the External Auditor include criticism in his report without first affording the Secretary-General or his representative an adequate opportunity of explanation on the matter under observation.
- 14.01.2 The External Auditor may be present when the General Conference examines his reports.

14.02 Submission of the Report of the External Auditor to the Council and the General Conference

The External Auditor shall submit his report to the Council pursuant to deadlines set by mutual agreement with the Secretariat. The report shall include the preliminary comments of the Secretariat. The Council shall make such observations and recommendations on the report as it may consider necessary. The report shall be submitted to the General Conference at its next session, together with the observations from the Council and the Secretariat.

14.03 Other matters

The External Auditor shall immediately report to CCAAP, which in turn will notify the Council or the General Conference, when appropriate or necessary, about any of the following cases:

- a. Discrepancies in inventories as determined by stock-taking and examination of the records;
- b. Cases of fraud or presumptive fraud;
- c. Improper expenditure of the Agency's money or other assets;
- d. Any observed defects in the controls governing revenue, expenditure, and assets of the Agency;

14.03.1 In preparing any report under paragraphs a,b,c and d, the External Auditor shall include the views, if any, of the Secretary-General in relation to the subject matter of the report.

14.04 Content and scope of the audit

The External Auditor shall refer in his report to the type and scope of the examination of the financial statements, the accuracy and correction of the financial statements, as well as other matters which should be brought to the notice of the General Conference, such as:

- a. Improper expenditure of funds, notwithstanding that the accounting for the transaction may be correct;
- b. Cases of fraud or presumptive fraud;
- c. Expenditure likely to commit the Agency to further outlay on a large scale;
- d. Expenditure not in conformity with the authority which governs it, or excessive expenditure;

- e. Expenditures that exceed the amount approved in the budget, taking into account the changes resulting from transfers duly authorized in the General Conference resolution approving the budget; and
- f. Any defect in the general system governing revenue and expenditure, or assets and equipment, or related administrative services.

Article 15

Effective date and Amendments

These Regulations shall become effective upon adoption by the General Conference and may be amended only by this Organ.