



## OPANAL

Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean

### General Conference

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## Revision of the Financial Regulations

### Draft

The draft of the revision of the Financial Regulations (CCAAP/23/2018Rev.3Corr., in the annex herewith) was discussed by the Committee on Contributions and Administrative and Budgetary Matters - CCAAP at its 138<sup>th</sup> meeting held on 4 October 2018, and transmitted to the Council. The Council, at its 317<sup>th</sup> meeting, on 11 October 2018, adopted the draft to be submitted to the General Conference in its XXVI Special Session, on 15 November 2018.

CCAAP/23/2018Rev.3Corr.

**FINANCIAL REGULATIONS**

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## **Chapter I**

### **General provisions**

#### **Article 1 - Objective of the Financial Regulations**

The Financial Regulations shall govern the financial administration of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean, hereinafter referred to as OPANAL.

#### **Article 2 - Financial Year**

The period between January 1 and December 31 of each year shall constitute the Financial Year of OPANAL.

## **Chapter II**

### **Committee on Contributions and Administrative and Budgetary Matters - CCAAP**

#### **Article 3 - Definition**

The Committee on Contributions and Administrative and Budgetary Matters, hereinafter referred to as CCAAP, is the technical organ created by the General Conference through Resolution CG/Res.106 (V) adopted on 21 April 1977, to assist the Council in all matters related to the administration of OPANAL.

#### **Article 4 - Composition**

The CCAAP shall consist of five Member States elected by the General Conference for a renewable four-year period. The Member States wishing to participate in the CCAAP meetings may do so as Observers.

#### **Article 5 - Election of the Members**

The Secretary-General shall inform the General Conference those Member States interested in becoming Members of the CCAAP. The General Conference shall elect the Member States of the CCAAP by a simple majority of the Member States present. If a Member leaves the CCAAP before ending its term, the Council shall elect, at its next meeting, a Member for the remaining term.

#### **Article 6 - Presidency**

The CCAAP shall elect its President for a one-year term, with the possibility of re-election.

#### **Article 7 - Meetings**

At each meeting, the CCAAP shall decide the date of its next meeting. A quorum of three Members shall be required for the meetings of the CCAAP.

**Article 8 - Functions of the CCAAP**

The CCAAP shall review compliance with the provisions of the Financial Regulations and inform the Council on each of its meetings. Moreover, it shall have the following functions:

- a) review, analyse and formulate recommendations regarding the Budget and Scale of Financial Contributions submitted by the Secretary-General in accordance with Chapter IV of the Financial Regulations;
- b) evaluate extraordinary expenses, in accordance with Article 13;
- c) suggest specific actions so that Member States in arrears in the payment of their Financial Contributions can meet their financial obligations;
- d) evaluate the reports presented by the Secretary-General on the financial situation of OPANAL and the implementation of the Budget;
- e) examine the financial statements certified by the External Auditor, prior to their presentation to the Council and the General Conference;
- f) guide the Secretary-General in administrative and budgetary matters in accordance with the instructions of the Council and the General Conference.

**Chapter III**

**Funds of OPANAL**

**Article 9 - Funds of OPANAL**

OPANAL has the following Funds:

- I. General Fund
- II. Reserve Fund

**Article 10 - Custody of the Funds**

The Secretary-General shall designate the banking institution or institutions in which OPANAL's Funds and other income mentioned in Article 32 shall be kept, selecting the institutions that, according to reasoned judgement, are the most solvent and reliable, considering the purpose of the Funds.

**Article 11 - General Fund**

The General Fund contains the resources from the financial contributions paid for the implementation of the Budget. The General Fund may contain other income in accordance with Article 32.

### **Article 12 - Reserve Fund**

The purpose of the Reserve Fund is to ensure that the operation of OPANAL does not cease due to insufficient collection of Financial Contributions.

1. The Reserve Fund consists of the resources that exceed the amount necessary to finance the Budget.
2. It is intended that the Reserve Fund should reach an amount equal to the total of the Member States' annual Financial Contributions.
3. The Reserve Fund may, on a temporary basis, be used to:
  - a) finance the Budget in the case there are insufficient resources in the General Fund; the Secretary-General must inform the Council of the transfers made.
  - b) finance needed expenditures unforeseen in the Budget, with the authorization of the General Conference or the Council, which shall consider in advance the report of the CCAAP on the situation of the Reserve Fund and the purpose of such expenditures.
4. In the event that the Reserve Fund fall below 50% of the total Member States' annual Financial Contributions, the Secretary-General may include an item in the draft Budget to properly replenish the Reserve Fund, in accordance with Article 12, paragraph 2.
5. In the event that the Reserve Fund exceed substantially the total Member States' annual Financial Contributions, the Secretary-General may propose to the Council to transfer resources from the Reserve Fund to the General Fund.

### **Article 13 - Extraordinary expenses**

The Secretary-General shall request from the Council or the General Conference the necessary resources to meet extraordinary expenses for situations not provided for in the Budget, and he/she shall also propose the sources for their financing, either from the surplus in the General Fund or from the Reserve Fund.

## **Chapter IV**

### **Budget and Scale of Financial Contributions**

#### **Article 14 - Definition of Budget**

The Budget corresponds to the total financial resources that the General Conference authorizes annually to the Secretary-General to cover obligations for contracted services and for acquisition of assets in the following financial period.

#### **Article 15 - Budget amount**

The Budget shall correspond to the total income expected from Financial Contributions that the General Conference has fixed for the Member States, taking into account the systems and criteria used for the same purpose by the United Nations, in accordance with Article 9, paragraph 3, of the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean – Treaty of Tlatelolco.

**Article 16 - Budget currency**

The Budget, the Scale of Financial Contributions as well as all accounting records and financial reports shall be presented in dollars of the United States of America.

**Article 17 - Definition of Financial Contribution**

Financial Contribution is the amount that a Member State contributes to the Budget of OPANAL according to the Scale approved by the General Conference.

**Article 18 - Calculation of the amount of the Financial Contributions**

In order to calculate the amount of the annual Financial Contributions to be assigned to the Member States, in accordance with Article 9, paragraph 3, of the Treaty of Tlatelolco, the Secretary General shall take into account:

- a) the total resources required for the implementation of the Budget;
- b) the amount in the Reserve Fund, in accordance with Article 12;
- c) other estimated incomes, unless the General Conference decides to use them for other purposes.

**Article 19 - Currency of the Financial Contributions**

The Financial Contributions of the Member States shall be presented and paid in dollars of the United States of America. In exceptional cases, the Financial Contributions may be paid in Mexican Pesos according to exchange rate determined by the *Banco de México* on the date of payment of the Financial Contribution.

**Article 20 - Budget structure**

The Budget shall be structured in parts divided into sections, composed by chapters. In the draft Budget, the Secretary-General will identify the distribution of resources in parts, sections and chapters.

**Article 21 - Procedure for the adoption of the Budget**

In the month of June of every year, the Secretary-General shall submit the draft Budget and Scale of Financial Contributions for the following Financial Period to the CCAAP with an explanatory document.

1. The CCAAP will examine the draft Budget and Scale of Financial Contributions and will submit it to the Council with the observations that it deems necessary.
2. Once the draft Budget and the Scale of Financial Contributions have been analysed by the CCAAP and the Council, the Secretary-General will transmit it to the Member States at least one month before the opening of the General Conference, which is the Organ in charge of its approval.
3. The regulatory provisions that may be included in the resolution that approves the Budget shall only be in force for the corresponding Financial Period, unless otherwise expressly stated therein.



**Article 22 - Specific resources for later use**

The Budget may include in specific chapters resources that will be used for expenses in subsequent Financial Years. The Budget will precisely identify those resources.

**Article 23 - Implementation of the Budget**

For the implementation of the Budget and based on the collected Contributions, the Secretary-General shall observe the following priorities:

- a) indispensable expenditure for the correct functioning of the Secretariat and the other organs of OPANAL;
  - b) other budgeted expenditures that, if not made, do not prevent the functioning of OPANAL.
1. The Secretary-General shall present to the CCAAP, the Council and the General Conference, as appropriate, a report on the financial consequences of any draft resolution or decision of these organs that involve expenditures that are not included or that exceed the amount assigned in the Budget.
  2. The Secretary-General shall control that OPANAL has, on a permanent basis, a liquidity in the General Fund of 10% of budgeted resources with the purpose of ensuring its capacity to meet possible financial contingencies.

**Article 24 - Transfer between parts**

For any Financial Year, 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 5% of the total 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 in accordance with subparagraph (a), the Secretary-General shall submit a special report in writing to the Council within 15 days following the date of the transfer; this report shall explain the transfer on the basis of existing mandates;
- c) transfers that exceed the 5% limit established in subparagraph (a) of the present Article or that may result in either the elimination or substantial alteration of any approved programme shall require prior approval from the Council.

**Article 25 - Transfers within a part**

The Secretary-General has the power to make transfers between sections within each part and between chapters within each section, informing the CCAAP thereon.

**Article 26 - Notification of the payment of Financial Contributions**

The Secretary-General, once the Budget and Scale of Financial Contributions has been approved by the General Conference, shall send all the pertinent documents to the Member States, informing them of the amount of their obligations to OPANAL for the corresponding Financial Period.

**Article 27 - Procedure for payment of Financial Contributions**

Member States are required to pay their Financial Contributions from 1 January of every year so that the Agency's activities are not affected by lack of funds. The Secretary-General shall carry out consultations concerning the projected date for the payment of contributions in the event that Member States do not do so during the first half of the year.

1. Revenue from Financial Contributions paid by a Member State shall be credited to that State's due contributions in chronological order, starting from the earliest.
2. On making a payment of its Financial Contributions, the Member State shall inform the Secretary-General of the amount, the bank, and the account, as well as the date when the transaction was made.

**Article 28 - Adjustments to the Financial Contributions**

Member States Financial Contributions shall be adjusted if the membership of OPANAL changes.

During the early months following their date of entry, new Member States of OPANAL 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 Year.

**Article 29 - Non-compliance with obligations**

In the event that a Member State fail to make the payment of its annual Financial Contribution by December 31 of each year, the Secretary-General shall notify it of its arrears to OPANAL.

In the event that a Member State be in arrears for more than two years, the Secretary-General shall present a proposed payment plan to the CCAAP and the Council for their sanction. Said payment plan will be subject to the approval of the General Conference.

**Article 30 - Reports on the collection of Financial Contributions**

The Secretary-General shall inform the Council in each meeting and the General Conference in each session of the status of collection of Financial Contributions, the démarches related to the collection of arrears, the results of the démarches, and the recommendations he deems appropriate.

**Article 31 - Bank commissions**

When receiving the payment of Financial Contributions, OPANAL 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 of the order of payment.

## **Chapter V**

### **Other Income**

#### **Article 32 - Definition**

Other income are:

- a) donations or inheritances;
- b) resources that result from the alienation of goods;
- c) unidentified bank deposits;
- d) bank interests.

The amounts from other income shall be integrated into the General Fund or the Reserve Fund as the Secretary-General decides, informing the CCAAP thereon.

#### **Article 33 - Donations or inheritances**

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

#### **Article 34 - Alienation of assets**

The Secretary-General may alienate OPANAL's assets with prior authorization from the CCAAP. Income from sale of assets may be applied for the purchasing of assets.

#### **Article 35 - Unidentified bank deposits**

The Secretary-General will seek to identify the origin of unidentified bank deposits, with the prior report to and with the support of the Member States and the banking institution where the Funds of OPANAL are deposited. The unidentified bank deposits must be registered in the Status of collection of Financial Contributions, in accordance with Article 32, subparagraph (c).

#### **Article 36 - Bank interests**

The interests generated in bank accounts will be accounted for as other income.

## **Chapter VI**

### **Amounts received to finance specific activities**

#### **Article 37 - Amounts received to finance specific activities**

OPANAL may receive, in order to finance specific activities, resources which will not be part of the General Fund or the Reserve Fund. These resources will be object of specific agreements with the donors to whom the Secretary-General will report directly, as agreed, informing the CCAAP and the Council.

## **Chapter VII**

### **Financial administration**

#### **Article 38 - Accounting system**

In accordance with the Financial Regulations, the Secretary-General shall establish the appropriate provisions and procedures to ensure the effective financial management, the economic and best use of all the resources administered by the Secretariat, reporting to the General Conference thereon. The Secretary-General shall establish an appropriate accounting system based on the Financial Regulations.

#### **Article 39 - Financial records**

The Secretary-General shall keep up to date the financial records for effective and timely control of the financial operations of OPANAL. The financial records shall reflect:

- a) status of revenue and expenditures of all Funds;
- b) status of expenditures, in a manner which permits for comparison against the approved Budget, and
- c) the OPANAL's assets, liabilities, and Funds balances.

#### **Article 40 - Budget implementation record**

The accounting shall correspond to the structure of the Budget and it shall contain the documents that prove all expenses made.

#### **Article 41 - Closing of accounting records**

At the beginning of each Financial Period, the Secretary-General shall prepare a report on the financial situation of OPANAL and the Budget implementation of the previous Financial Period.

#### **Article 42 - Submission and certification of financial statements**

The Secretary-General shall submit the financial statements to the External Auditor within 90 days following the end date of every Financial Period. The External Auditor shall certify such statements in accordance with Chapter IX of the Financial Regulations.

**Article 43 - Composition of financial statements**

The financial statements shall include:

- a) the Budget and Scale of Financial Contributions of the previous Financial Period;
- b) the revenue and expenditures of the General Fund;
- c) the consolidated statement of revenue and expenditure of the General Fund at the end of the corresponding Financial Period;
- d) the financial situation of OPANAL at the end of the Financial Period;
- e) the status of the Reserve Fund, and
- f) any other information deemed appropriate.

**Article 44 - Internal control**

With the assistance of the CCAAP and keeping the Council informed, the Secretary-General shall establish the guidelines, as he/she deems appropriate, to maintain a system that enables effective internal control of the resources and assets of OPANAL.

1. Control by the Member States lies in the Council, prior evaluation by the CCAAP.
2. The Secretary-General shall present to the CCAAP and inform the Council of any matter that, in his opinion, affects the financial situation of OPANAL.
3. The Secretary-General shall keep the CCAAP, the Council and the General Conference informed on the implementation of the Budget.

**Article 45 - Inventory**

The Secretary-General shall present annually to the CCAAP an inventory of all the assets of OPANAL.

1. The inventory shall consist of all the assets, with exception of consumer items; in addition, it shall contain the assets written off and assets acquired after the inventory of the previous year.
2. The assets contained in the inventory shall have an indication of the value to which an annual devaluation rate will be applied.
3. The External Auditor shall receive a copy of the annual inventory and may make observations thereon.

**Chapter VIII**

**External Auditor and review of accounts**

**Article 46 - Appointment of the External Auditor**

The External Auditor shall be appointed by the General Conference in accordance with Article 65 of its Rules of Procedure for a period of one year, renewable. The Secretary-General shall submit the nomination proposal.

**Article 47 - Contract**

The Secretary-General shall enter into a contract of service with the External Auditor appointed by the General Conference.

**Article 48 - Information**

During the first 90 days of the year, the Secretariat shall deliver to the External Auditor all the necessary information for the certification of the financial statements.

**Article 49 - Examination of accounting data**

The External Auditor shall examine the accounting data of the Secretariat pursuant to Chapter VIII of the Financial Regulations.

**Article 50 - Powers of the External Auditor**

Subject to the provisions of the Financial Regulations and based on the methodology established by the Secretariat, the External Auditor will be empowered to:

- a) have access to all the OPANAL'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 in a timely and effective manner;
- b) make observations as he deems necessary with respect to the internal financial, and
- c) verify the effectiveness of the internal financial control.

**Article 51 - Information and opinions expressed by the External Auditor**

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 on which he/she may entertain doubt as to its legality or accuracy.

The External Auditor shall communicate to the Secretary-General any deficiency or irregularity with respect to its findings resulting from the audit so that the Secretary-General can explain it or correct it before the External Auditor submits its report.

**Article 52 - 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 accordance with the books, records, documents, and vouchers in the Secretariat;
- b) that the transactions recorded in the financial statements conform to the Financial Regulations, and
- c) that the securities and monies on deposit have been certified by the banking institutions that hold the accounts of OPANAL, and that the cash on hand corresponds to the records.

**Article 53 - Report on the certification of financial statements**

The External Auditor shall prepare a report on the certification of financial statements, in which he/she shall indicate the scope and nature of his examination. In no case shall the External Auditor include criticism in his/her report without first affording the Secretary-General opportunity of explaining the situation.

**Article 54 - Date of certification of financial statements**

The External Auditor shall present his/her report to the Secretary-General no later than 60 days after the beginning of the certification of the financial statements.

**Article 55 - Submission of the report of the External Auditor to the Council and the General Conference**

The Secretariat shall submit the report of the External Auditor to the CCAAP which, if it considers appropriate, will recommend to the Council its approval.

1. The report shall include the preliminary comments of the Secretary-General, as well as the observations and recommendations that the Council deems necessary.
2. The report shall be submitted for adoption at the corresponding session of the General Conference.
3. The External Auditor, or such person as he may delegate, may be present when the General Conference examines his/her report.

**Article 56 - Situations that present irregularities**

During the presentation of his/her report to the CCAAP, the External Auditor shall communicate any of the following cases:

- a) discrepancies in inventories as determined by stock-taking and examination of the records;
  - b) fraud or presumptive fraud;
  - c) improper use of the assets and Funds of OPANAL;
  - d) imperfections in the controls governing revenue, expenditure, and assets of OPANAL and,
  - e) expenses that do not comply with budgetary provisions.
1. In preparing any report relating to the provisions of this Article, the External Auditor shall include the views of the Secretary-General in relation to the subject matter of the report.
  2. The CCAAP shall immediately transmit this information to the Council. If considered necessary, the Council shall inform all Member States.

## **Chapter IX**

### **Entry into Force and Amendments**

**Article 57 - Entry into force**

These Financial Regulations shall enter into force at the beginning of the Financial Year following its approval by the General Conference.

**Article 58 - Amendments**

These Financial Regulations can only be amended by the General Conference.